

CITY OF EVART, MICHIGAN

JUNE 30, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Evart</b>	County <b>Osceola</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>9/17/04</b>	Date Accountant Report Submitted to State: <b>11/19/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☒ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Baird, Cotter &amp; Bishop, P.C.</b>			
Street Address <b>134 W. Harris Street</b>	City <b>Cadillac</b>	State <b>MI</b>	ZIP <b>49601</b>
Accountant Signature <i>Donna P. Myer, C.P.A.</i>		Date <b>11/22/04</b>	

CITY OF EVART, MICHIGAN  
JUNE 30, 2004

TABLE OF CONTENTS

	<u>PAGES</u>
<b><u>SECTION I: FINANCIAL SECTION</u></b>	
Independent Auditors' Report	i-ii
Management's Discussion and Analysis	iii-xi
 <b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Assets	1-2
Statement of Activities	3
Fund Financial Statements	
Governmental Funds	
Balance Sheet – Governmental Funds	4
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	5
Statement of Revenues, Expenditures and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances to the Statement of Activities	7
Proprietary Funds	
Statement of Net Assets	8-9
Statement of Revenues, Expenses, and Changes in Fund Net Assets	10
Statement of Cash Flows	11-12
Fiduciary Funds	
Statement of Fiduciary Net Assets	13
Component Units	
Comparative Statement of Net Assets	14
Statement of Activities	15
Notes to Financial Statements	16-43
 <b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – Major Governmental Funds	44
 <b>Financial Statements Of Individual Funds</b>	
<b>Major Governmental Funds</b>	
<u>General Fund</u>	
Comparative Balance Sheet	45
Summary - Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	46
Detail - Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	47-54

CITY OF EVART, MICHIGAN  
JUNE 30, 2004

TABLE OF CONTENTS

<u>Special Revenue Funds</u>	
<u>Major Street Fund</u>	
Comparative Balance Sheet	55
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	56-58
<u>Local Street Fund</u>	
Comparative Balance Sheet	59
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	60-62
<u>Major Proprietary Funds</u>	
<u>Water Supply System</u>	
Comparative Statement of Net Assets	63-64
Schedule of Revenues, Expenses and Changes In Fund Net Assets - Budget and Actual	65-66
Comparative Statement of Cash Flows	67-68
<u>Sewage Disposal System</u>	
Comparative Statement of Net Assets	69-70
Schedule of Revenues, Expenses and Changes In Fund Net Assets - Budget and Actual	71-73
Comparative Statement of Cash Flows	74-75
<b>Nonmajor Governmental Funds</b>	
Combining Balance Sheet	76
Combining Statement of Revenues Expenditures and Changes in Fund Balance	77
<u>Park Recreation Fund</u>	
Comparative Balance Sheet	78
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	79-80
<u>Cemetery Fund</u>	
Comparative Balance Sheet	81
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	82-83
<u>1976 Housing Rehabilitation Fund</u>	
Comparative Balance Sheet	84
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	85

CITY OF EVART, MICHIGAN  
JUNE 30, 2004

TABLE OF CONTENTS

<u>1983 Housing Rehabilitation Fund</u>	
Comparative Balance Sheet	86
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	87
<u>Community Recreation Fund</u>	
Comparative Balance Sheet	88
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	89-90
<u>Debt Service Funds</u>	
<u>General Obligation Series 1988 Fund</u>	
Comparative Balance Sheet	91
Schedule of Revenues, Expenditures and Changes In Fund Balance	92
<u>Police Facility Debt Retirement Fund</u>	
Comparative Balance Sheet	93
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	94
<u>Capital Project Funds</u>	
<u>Capital Projects - Building Authority - Police Facility</u>	
Comparative Balance Sheet	95
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	96
<u>Capital Projects - Fire Vehicle Fund</u>	
Comparative Balance Sheet	97
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	98
<u>Permanent Fund</u>	
<u>Cemetery Perpetual Care Fund</u>	
Comparative Balance Sheet	99
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	100
<u>Internal Service Fund</u>	
Equipment Pool Fund	
Comparative Statement of Net Assets	101-102
Schedule of Revenue, Expenses and Changes In Fund Net Assets - Budget and Actual	103-104
Comparative Statement of Cash Flows	105-106

134 WEST HARRIS STREET  
CADILLAC, MICHIGAN 49601  
231-775-9789  
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

*Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

September 17, 2004

INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council  
City of Evart, Michigan

We have audited the accompanying basic financial statements of the City of Evart, Michigan, as of June 30, 2004, and for the year then ended as listed in the table of contents. These basic financial statements are the responsibility of the City of Evart, Michigan's management. Our responsibility is to express an opinion on these basic financial statements based on our audit of the City of Evart.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the complete financial data of two of the City's component units (namely the "Local Development Finance Authority" and the "Downtown Development Authority") which should be included in order to conform with accounting principles generally accepted in the United States of America. The financial statements were not available on a timely basis to be included in the audited financial statements for the year ended June 30, 2004.

In our opinion, except for the effects on the basic financial statements of the omissions described in the preceding paragraph, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the City of Evart, Michigan, at June 30, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of July 1, 2003.

The management's discussion and analysis on pages iii through xi and budgetary comparison information on page 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Evart, Michigan's basic financial statements. The combining and individual fund financial statements and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P. C.

*Baird, Cotter & Bishop, P.C.*

CITY OF EVART, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2004

The management of the City of Evart, Michigan ("the City") offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the City's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

**Financial Highlights**

**Government-Wide**

- ❖ The assets of the City exceeded its liabilities at the close of this fiscal year by \$17,435,376 (shown as *Net Assets*), representing an increase of \$107,305 over the previous fiscal year. Governmental Funds had a decrease of \$(120,982) for the year, while Business-Type activities had an increase of \$228,287 of the net increase of \$107,305.

**Fund Level Financial Highlights**

- ❖ As of June 30, 2004, the governmental funds of the City of Evart reported combined ending fund balances of \$1,091,091, of which \$947,075 is unreserved.
- ❖ The unreserved fund balance of the City's General Fund increased this year to \$482,229, or 60% of total general fund expenditures.

**Long-Term Debt**

- ❖ The City of Evart's total debt **decreased** by \$66,232 during the fiscal year.

**Overview of the Financial Statements**

The City of Evart's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** For the first time, this report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the City's financial position. The Statement of Net Assets and the Statement of Activities are two new financial statements that report information about the City as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Assets* (Pages 1-2) presents information on all of the City's assets and liabilities, the difference between the two being reported as the Net Assets of the City. Over



CITY OF EVART, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2004

time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the City is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (Page 3) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the City that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, public safety, major and local streets, public works, culture and recreation. Business-type activities of the City include water and sewer utility services.

#### **Focus on Funds**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The City's major Governmental Funds include the General Fund, Major Street Fund, and Local Street Fund. The major Proprietary Funds include the Water and Sewer Funds. Presentation of major funds can be found on pages 4, 6, 8 and 10 of this document.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The City of Evart uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** Many of the City's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as an expenditure. No depreciation is recorded on capital items. The balance sheet for governmental funds does not

CITY OF EVART, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2004

include any capital items or long-term debt. Governmental funds for the City include the General Fund as well as the special revenue, capital project, debt service and permanent funds.

***Proprietary Funds*** Proprietary funds account for services for which the City charges its customers for the services they are provided. These charges can be to external customers or other agencies within the City. There are two types of proprietary funds:

- Enterprise funds are used to report business-like activities of the City. These activities intend to recover the full cost of the services through the fee charged to the customers. The City has two enterprise funds, which are the Water Fund and Sewer Fund.
- Internal Service funds are the second type of proprietary funds. These funds provide services to other departments within the City. These funds allow the City to allocate costs of centralized services such as the City's vehicle fleet. The City has one internal service fund, the Equipment Pool Fund.

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available for supporting the City's programs. These funds are accounted for using the full accrual method of accounting, much like the Proprietary funds.

***Component Units*** The City's financial statements include reporting on separate legal entities for which the City has some level of financial responsibility. These funds are shown in a separate column. The City's component units include the Evart Area Fire Department, the Downtown Development Authority, and the Local Development Finance Authority. The Downtown Development Authority and the Local Development Finance Authority are not included in this report, due to the unavailability of their year end financial statements.

#### **Notes to the Financial Statements**

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on page 17 of this report.

#### **Other Information**

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements. This information can be found beginning on page 44 of this report.

CITY OF EVART, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2004

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the City's financial position over time. The Net Assets of the City are \$17,435,376 at June 30, 2004, meaning that the City's assets were greater than its liabilities by this amount. Because of GASB Statement Number 34, this is the first year that this information is presented; therefore only one year of data is shown. A useful comparative analysis will be presented in future years when the information is available.

**City of Evart**  
**Net Assets as of June 30, 2004**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Current and other assets	\$ 1,315,791	\$ 3,549,874	\$ 4,865,665
Capital Assets	6,069,826	7,690,551	13,760,377
<b>Total Assets</b>	<b>\$ 7,385,617</b>	<b>\$ 11,240,425</b>	<b>\$ 18,626,042</b>
Long-term liabilities	\$ 234,517	\$ 782,028	\$ 1,016,545
Other liabilities	88,949	85,172	174,121
<b>Total Liabilities</b>	<b>\$ 323,466</b>	<b>\$ 867,200</b>	<b>\$ 1,190,666</b>
Net Assets			
Invested in capital assets			
net of related debt	\$ 5,873,456	\$ 6,861,915	\$ 12,735,371
Restricted	134,683	0	134,683
Unrestricted	1,054,012	3,511,310	4,565,322
<b>Total Net Assets</b>	<b>\$ 7,062,151</b>	<b>\$ 10,373,225</b>	<b>\$ 17,435,376</b>

The most significant portion of the City's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the City used to acquire or construct the asset. The City has \$4,565,322 million in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by City policies regarding their use.

The total net assets of the City increased \$107,305 in this fiscal year, which is a good indicator that the City experienced positive financial growth during the year. As a result, the City ended the fiscal year in better condition than when the year started.

CITY OF EVART, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2004

The following table illustrates and summarizes the results of the changes in the Net Assets for the City. The condensed information was derived from the government-wide Statement of Activities.

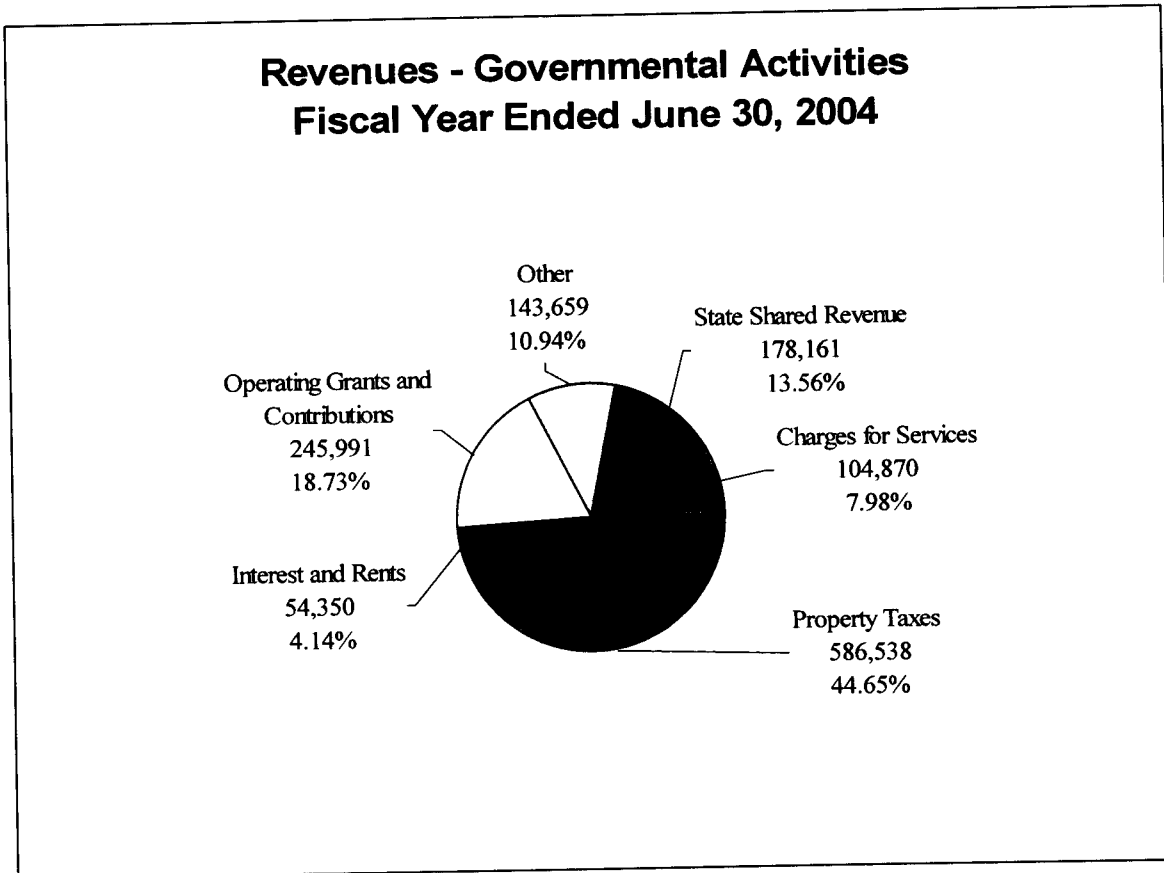
City of Evart  
Change in Net Assets  
for the Fiscal Year Ended June 30, 2004

	Governmental Activities	Business-Type Activities	Total Primary Government
<b><u>Revenues</u></b>			
<b>Program Revenues</b>			
Charges for Services	\$ 104,870	\$ 1,099,761	\$ 1,204,631
Operating Grants and Contributions	245,991	0	245,991
<b>General Revenues</b>			
Property Taxes and Assessments	586,538	0	586,538
State Shared Revenue	178,161	0	178,161
Unrestricted Investment Earnings	54,350	60,541	114,891
Other	143,659	13,264	156,923
<b>Total Revenues</b>	<b>\$ 1,313,569</b>	<b>\$ 1,173,566</b>	<b>\$ 2,487,135</b>
<b><u>Expenses</u></b>			
Legislative	\$ 5,228	\$ 0	\$ 5,228
General Government	260,260	0	260,260
Public Safety	398,469	0	398,469
Public Works	314,560	0	314,560
Recreation and Culture	49,969	0	49,969
Community and Economic Development	851	0	851
Other Functions	49,435	0	49,435
Depreciation	344,138	0	344,138
Interest on Long-Term Debt	11,641	0	11,641
Water and Sewer	0	945,279	945,279
<b>Total Expenses</b>	<b>\$ 1,434,551</b>	<b>\$ 945,279</b>	<b>\$ 2,379,830</b>
Increase in Net Assets	(120,982)	228,287	107,305916
Beginning Net Assets	7,183,133	10,144,938	17,328,071
Ending Net Assets	<b>\$ 7,062,151</b>	<b>\$ 10,373,225</b>	<b>\$ 17,435,376</b>

CITY OF EVART, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2004

**Governmental Activities**

The following chart details the revenue sources for the governmental activities of the City for the fiscal year ended June 30, 2004:



The most significant portion of the revenue for all governmental activities of the City of Evart comes from Property Taxes (44.65%). The City's operating millage remained the same in 2004 at 14.5539 mills. The City's charter allows the City to levy up to 15.00 mills for operations. Due to State statutes, the City is currently at its maximum tax levy, and is unable to increase the millage without the approval of the voters.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. In 2004, the amount of state shared revenue received by the City trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

CITY OF EVART, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2004

The City's governmental activities expenses are dominated by the Public Safety expenses that total 27.8% of total expenses. The City spent \$398,469 in FY2004 on Public Safety. Public Works represented the next largest expense at \$314,560, or 21.9% of total expenses within the governmental activities. Expenses in the Major Street Fund of \$216,202 and Local Street Fund of \$62,350 represent a majority of the Public Works expenditures.

**Business-Type Activities**

These activities accounted for an increase of \$228,287 in the City's Net Assets.

The Business-Type activities of the City include the Water Fund and Sewer Fund, which provide water and sewer utility services to City residents as well as commercial customers.

**Financial Analysis of the Government's Funds**

**Governmental Activities** At the completion of the City's fiscal year ended June 30, 2004, its governmental funds reported fund balances of \$1,091,091. Of this amount, \$947,075, or 86.8% is unreserved. Of this amount \$450,644 of unreserved and undesignated fund balance exists in the City's Special Revenue funds. The remaining \$148,881 of fund balance of the governmental funds is reserved for specific purposes and is therefore not available for new appropriation.

**General Fund** – The General Fund is the main operating fund of the City. The General Fund increased its fund balance in this fiscal year by \$11,337, bringing the balance to \$489,106. Unreserved fund balance increased by \$6,931. All of the General Fund's major functions with the exception of Other Functions ended the year with expenditures above appropriated amounts. An increase in retirement buyout for the Police and taxes abated accounted for the overages. Interest income for the General Fund was reduced by \$2,581, or 12.8% due to current market conditions producing reduced rates of return. Property tax revenues in the General Fund increased \$31,658 in 2004, an increase of 6.2%. State shared revenue decreased by \$10,606 from the amount received in the previous fiscal year, representing a 5.6% reduction which resulted from State actions in response to the economic slowdown experienced throughout the State.

**Major Street Fund** – The Major Street Fund made progress on the improvements for Main Street in this fiscal year. The project is expected to be completed this fall. The fund balance of the Major Street Fund ended the year at \$212,484. This was a reduction of \$39,285 from the previous year. The City used funds accumulated from previous years in order to complete this year's projects.

**Local Street Fund** – The fund balance of this fund is at \$87,103 an increase of \$20,404, during this fiscal year.

CITY OF EVART, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR YEAR ENDED JUNE 30, 2004

**Proprietary Funds** The City's proprietary funds provide virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

**Water Fund** – The Water Fund ended this fiscal year with \$2,507,084 in unrestricted net assets. However, due to decreased usage the total operating revenues of the fund decreased from \$634,146 in FY2003 to \$571,110 in 2004. This fund experienced an increase in interest income of \$1,252, or 2.9% from the previous fiscal year. The net assets of the fund still increased by \$179,009. This fund is in sound fiscal condition moving forward.

**Sewer Fund** – The Sewer Fund ended this fiscal year with \$975,760 in unrestricted net assets. However, due to increased usage the total operating revenues increased from \$437,613 in FY2003 to \$517,862 in 2004. The fund experienced an increase in interest income of \$4,842, or 42.5% from the previous fiscal year. The net assets of the fund increased \$56,562.

**Capital Asset and Debt Administration**

**Capital Assets.** The City's investment in capital assets for the governmental and business-type activities as of June 30, 2004 amounted to \$13,760,377 (net of accumulated depreciation). Capital assets of the City include any items purchased that cost in excess of \$5,000 and have an expected useful life of over one year. The City has invested in a broad range of capital assets, as detailed below:

*City of Evart*  
*Capital Assets as of June 30, 2004*

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
Land and Land Improvements	\$ 3,215,276	\$ 463,591	\$ 3,678,867
Infrastructure	5,499,594	0	5,499,594
Buildings	956,180	973,456	1,929,636
Improvements other than Buildings	0	9,503,254	9,503,254
Machinery and Equipment	509,697	603,898	1,113,595
<b>Subtotal</b>	<b>10,180,747</b>	<b>11,544,199</b>	<b>21,724,946</b>
Accumulated Depreciation	4,110,921	3,853,648	7,964,569
<b>Net Capital Assets</b>	<b>\$ 6,069,826</b>	<b>\$ 7,690,551</b>	<b>\$ 13,760,377</b>

Major capital asset events during FY2004 included the following:

- Water System improvements were completed in 2004 at a cost of \$102,600.
- A street improvement project was commenced on Main Street. Over \$138,000 of street construction and improvement took place in this fiscal year.

CITY OF EVART, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED JUNE 30, 2004

Additional information regarding the City's capital assets can be found in the Notes to Financial Statements section on pages 28-31.

**Long-Term Debt.** As of June 30, 2004, the City had total bonded debt outstanding of \$984,900. Of this amount, \$169,900 comprises debt backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources. All of the revenue bonds are from the Sewer Fund (\$815,000), which are backed by revenues from the Sewer system and have been used to finance major capital projects within the Sewer system.

*City of Evart Outstanding Debt  
General Obligation and Revenue Bonds  
as of June 30, 2004*

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
General Obligation Bonds	\$ 169,900	\$ 0	\$ 169,900
Contracts and Notes	26,470	13,636	40,106
Revenue Bonds	0	815,000	815,000
Total	<u>\$ 196,370</u>	<u>\$ 828,636</u>	<u>\$ 1,025,006</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation based on the City's assessed valuation of \$45,000,000 is \$4,500,000, which is significantly in excess of the City's outstanding general obligation debt of \$169,900.

The City issued no new debt in FY2004, and the total debt decreased from \$1,145,312 at June 30, 2003, a reduction of \$66,232. More information on the City's long-term debt is available in the Notes to Financial Statements section of this document, on pages 33-37.

**Contacting the City's Finance Department**

This financial report is designed to provide the wide variety of users of this document with a general overview of the City's finances and demonstrate the City's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the City of Evart, City Treasurer, 200 S. Main, Evart, MI 49631, or call us at (231) 734-2181.

The financial reports for the Downtown Development Authority and the Local Development Finance Authority, both component units of the City, can be obtained by contacting Dan Elliott, Director at 127 N. River Street, Evart, Michigan 49631, or call (231) 734-6119.



CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2004

	<u>Primary Government</u>		<u>Total</u>	<u>Component</u>
	<u>Governmental</u>	<u>Business-type</u>		<u>Unit</u>
<u>Assets</u>	<u>Activities</u>	<u>Activities</u>		<u>Evart Area</u> <u>Joint Fire</u> <u>Department</u>
Cash	\$ 1,008,703	\$ 2,964,344	\$ 3,973,047	\$ 93,744
Accounts Receivable	19,690	158,932	178,622	0
Special Assessments Receivable	74,032	35,455	109,487	0
Mortgages Receivable	22,362	0	22,362	0
Due from Other Governments	52,065	0	52,065	0
Due from Component Unit - DDA/LDFA	26,911	0	26,911	0
Internal Balances	(32,746)	32,746	0	0
Inventories	0	1,154	1,154	0
Prepaid Expenses	10,199	6,699	16,898	0
Restricted Assets				
Permanently Restricted Cash	134,575	350,544	485,119	0
Total Assets	\$ 1,315,791	\$ 3,549,874	\$ 4,865,665	\$ 93,744
<u>Capital Assets</u>	\$ 10,180,747	\$ 11,544,199	\$ 21,724,946	\$ 874,760
Less Accumulated Depreciation	(4,110,921)	(3,853,648)	(7,964,569)	(391,518)
Total Capital Assets	\$ 6,069,826	\$ 7,690,551	\$ 13,760,377	\$ 483,242
TOTAL ASSETS	\$ 7,385,617	\$ 11,240,425	\$ 18,626,042	\$ 576,986

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2004

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Evart Area Joint Fire Department</u>
<u>Liabilities and Net Assets</u>				
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts Payable	\$ 72,566	\$ 36,823	\$ 109,389	\$ 550
Accrued Expenses	456	0	456	0
Customer Deposits Payable	0	1,741	1,741	0
Current Portion of Non Current Liabilities	15,927	46,608	62,535	0
Total Current Liabilities	<u>\$ 88,949</u>	<u>\$ 85,172</u>	<u>\$ 174,121</u>	<u>\$ 550</u>
<u>Non Current Liabilities</u>				
Bonds Payable	\$ 169,900	\$ 815,000	\$ 984,900	\$ 0
Compensated Absences	54,074	0	54,074	0
Equipment Contracts Payable	26,470	13,636	40,106	0
Less Current Portion of Non Current Liabilities	(15,927)	(46,608)	(62,535)	0
Total Non Current Liabilities	<u>\$ 234,517</u>	<u>\$ 782,028</u>	<u>\$ 1,016,545</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 323,466</u>	<u>\$ 867,200</u>	<u>\$ 1,190,666</u>	<u>\$ 550</u>
<u>Net Assets</u>				
Invested in Capital Assets				
Net of Related Debt	\$ 5,873,456	\$ 6,861,915	\$ 12,735,371	\$ 483,242
Restricted for:				
Debt Service	4	0	4	0
Perpetual Care	134,679	0	134,679	0
Unrestricted	1,054,012	3,511,310	4,565,322	93,194
Total Net Assets	<u>\$ 7,062,151</u>	<u>\$ 10,373,225</u>	<u>\$ 17,435,376</u>	<u>\$ 576,436</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,385,617</u>	<u>\$ 11,240,425</u>	<u>\$ 18,626,042</u>	<u>\$ 576,986</u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2004

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						Component Unit
	Program Revenues			Primary Government			Evart Area Joint Fire Department
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<u>Primary Government</u>							
Governmental Activities							
Legislative	\$ 5,228	\$ 0	\$ 0	\$ (5,228)	\$ 0	\$ (5,228)	\$ 0
General Government	260,260	0	0	(260,260)	0	(260,260)	0
Public Safety	398,469	822	1,895	(395,752)	0	(395,752)	0
Public Works	314,560	55,933	242,546	(16,081)	0	(16,081)	0
Recreation and Culture	49,969	47,865	1,550	(554)	0	(554)	0
Community and Economic Development	851	0	0	(851)	0	(851)	0
Other Functions	49,435	250	0	(49,185)	0	(49,185)	0
Debt Service - Interest on Long Term Debt	11,641	0	0	(11,641)	0	(11,641)	0
Unallocated Depreciation	344,138	0	0	(344,138)	0	(344,138)	0
Total Governmental Activities	\$ 1,434,551	\$ 104,870	\$ 245,991	\$ (1,083,690)	\$ 0	\$ (1,083,690)	\$ 0
Business-type Activities							
Water	\$ 458,810	\$ 577,190	\$ 0	\$ 0	\$ 118,380	\$ 118,380	\$ 0
Sewer	486,469	522,571	0	0	36,102	36,102	0
Total Business-type Activities	\$ 945,279	\$ 1,099,761	\$ 0	\$ 0	\$ 154,482	\$ 154,482	\$ 0
Total Primary Government	\$ 2,379,830	\$ 1,204,631	\$ 245,991	\$ (1,083,690)	\$ 154,482	\$ (929,208)	\$ 0
<u>Component Unit</u>							
Evart Area Joint Fire Department	\$ 131,911	\$ 6,800	\$ 0				\$ (125,111)
<u>GENERAL REVENUES</u>							
Property Taxes				\$ 586,538	\$ 0	\$ 586,538	\$ 0
State Shared Revenues				178,161	0	178,161	0
License and Permits				847	0	847	0
Contribution from Local Units				0	0	0	66,069
Interest and Rents				54,350	60,541	114,891	2,008
Other Revenues				142,812	13,264	156,076	2,289
Intergovernmental Revenues				0	0	0	31,559
Total General Revenues and Transfers				\$ 962,708	\$ 73,805	\$ 1,036,513	\$ 101,925
Change in Net Assets				\$ (120,982)	\$ 228,287	\$ 107,305	\$ (23,186)
<u>NET ASSETS - Beginning of Year</u>				7,183,133	10,144,938	17,328,071	599,622
<u>NET ASSETS - End of Year</u>				\$ 7,062,151	\$ 10,373,225	\$ 17,435,376	\$ 576,436

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2004

	General Fund	Major Streets Fund	Local Streets Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash	\$ 422,860	\$ 265,526	\$ 90,785	\$ 169,762	\$ 948,933
Receivables (Net, Where Applicable of Allowances for Uncollectables)					
Accounts	19,690	0	0	0	19,690
Special Assessments	0	74,032	0	0	74,032
Mortgages	0	0	0	22,362	22,362
Due From Other Governments	24,773	20,397	6,895	0	52,065
Due From Component Unit	26,911	0	0	0	26,911
Due From Other Funds	106	8,231	30,048	104	38,489
Prepaid Expenses	6,877	1,173	525	758	9,333
Restricted Cash	0	0	0	134,575	134,575
<b>TOTAL ASSETS</b>	<b>\$ 501,217</b>	<b>\$ 369,359</b>	<b>\$ 128,253</b>	<b>\$ 327,561</b>	<b>\$ 1,326,390</b>
<u>Liabilities and Fund Balance</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 11,655	\$ 52,795	\$ 68	\$ 2,667	\$ 67,185
Due to Other Governments	456	0	0	0	456
Due to Other Funds	0	30,048	7,446	105	37,599
Deferred Revenue	0	74,032	0	22,391	96,423
Advances From Other Funds	0	0	33,636	0	33,636
<b>Total Liabilities</b>	<b>\$ 12,111</b>	<b>\$ 156,875</b>	<b>\$ 41,150</b>	<b>\$ 25,163</b>	<b>\$ 235,299</b>
<u>Fund Balance</u>					
Reserved for Prepaid Expenses	\$ 6,877	\$ 1,173	\$ 525	\$ 758	\$ 9,333
Reserved for Debt Service	0	0	0	4	4
Reserved for Endowment	0	0	0	134,679	134,679
Designated for Skate Park	0	0	0	5,091	5,091
Designated for Equipment	0	0	0	9,111	9,111
Unreserved, Undesignated	482,229	211,311	86,578	152,755	932,873
<b>Total Fund Balances</b>	<b>\$ 489,106</b>	<b>\$ 212,484</b>	<b>\$ 87,103</b>	<b>\$ 302,398</b>	<b>\$ 1,091,091</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 501,217</b>	<b>\$ 369,359</b>	<b>\$ 128,253</b>	<b>\$ 327,561</b>	<b>\$ 1,326,390</b>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS

JUNE 30, 2004

Total Governmental Fund Balances			\$ 1,091,091
Amounts reported for governmental activities in the statement of net assets are different because:			
Adjustment to reflect the consolidation of Internal Service Fund activities, related to governmental activities fund.			208,047
Long-term receivables are not available to pay current period expenditures and therefore are deferred in governmental funds			
Special Assessments Receivable	74,061		
Motgages Receivable	22,362	96,423	
Capital assets used in governmental activities are not financial resources and are not reported in the funds			
The cost of the capital assets is	9,761,106		
Accumulated depreciation is	(3,870,542)	5,890,564	
Long term liabilities are not due and payable in the current period and are not reported in the funds			
Bonds Payable		(169,900)	
Compensated Absences		(54,074)	
NET ASSETS OF GOVERNMENTAL ACTIVITIES			<u>\$ 7,062,151</u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	General Fund	Major Streets Fund	Local Streets Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Taxes	\$ 586,538	\$ 8,639	\$ 0	\$ 0	\$ 595,177
Licenses and Permits	847	0	0	0	847
State Grants	180,056	124,475	40,571	0	345,102
Contributions from Local Units	0	0	0	1,550	1,550
Charges for Services	56,755	0	0	48,115	104,870
Fines and Forfeits	355	0	0	0	355
Interest and Rents	17,649	3,851	1,850	31,000	54,350
Other Revenue	136,997	0	0	5,460	142,457
Total Revenues	<u>\$ 979,197</u>	<u>\$ 136,965</u>	<u>\$ 42,421</u>	<u>\$ 86,125</u>	<u>\$ 1,244,708</u>
<u>Expenditures</u>					
Legislative	\$ 5,228	\$ 0	\$ 0	\$ 0	\$ 5,228
General Government	206,945	0	0	42,477	249,422
Public Safety	366,910	0	0	0	366,910
Public Works	174,583	216,202	62,350	0	453,135
Recreation and Culture	0	0	0	49,969	49,969
Community and Economic Development	0	0	0	851	851
Other Functions	49,435	0	0	0	49,435
Debt Service					
Principal	0	0	0	2,900	2,900
Interest and Fiscal Charges	0	0	3,215	8,450	11,665
Total Expenditures	<u>\$ 803,101</u>	<u>\$ 216,202</u>	<u>\$ 65,565</u>	<u>\$ 104,647</u>	<u>\$ 1,189,515</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 176,096</u>	<u>\$ (79,237)</u>	<u>\$ (23,144)</u>	<u>\$ (18,522)</u>	<u>\$ 55,193</u>
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In	\$ 0	\$ 70,000	\$ 43,548	\$ 49,700	\$ 163,248
Operating Transfers Out	(164,759)	(30,048)	0	0	(194,807)
Total Other Financing Sources (Uses)	<u>\$(164,759)</u>	<u>\$ 39,952</u>	<u>\$ 43,548</u>	<u>\$ 49,700</u>	<u>\$ (31,559)</u>
Net Change in Fund Balance	<u>\$ 11,337</u>	<u>\$ (39,285)</u>	<u>\$ 20,404</u>	<u>\$ 31,178</u>	<u>\$ 23,634</u>
<u>Fund Balance - Beginning of Year</u>	<u>477,769</u>	<u>251,769</u>	<u>66,699</u>	<u>271,220</u>	<u>1,067,457</u>
<u>Fund Balance - End of Year</u>	<u>\$ 489,106</u>	<u>\$ 212,484</u>	<u>\$ 87,103</u>	<u>\$ 302,398</u>	<u>\$ 1,091,091</u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2004

Net change in Fund Balances Total Governmental Funds	\$ 23,634
Amounts reported for governmental activities are different because:	
Adjustment to reflect the consolidation of Internal Service Fund activities and Permanent Fund activities related to governmental funds.	(7,051)
Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(344,138)
Capital Outlay	138,575
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued Interest Payable - Beginning of Year	1,404
Accrued Interest Payable - End of Year	(1,380)
Repayments of principal on long-term debt are an expenditure in the governmental funds, but not in the statement of activities (where they are a reduction of liabilities)	2,900
Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:	
Deferred Revenue - Beginning of Year	(36,582)
Deferred Revenue - End of Year	96,423
Compensated Absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:	
Compensated Absences - Beginning of Year	59,307
Compensated Absences - End of Year	(54,074)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (120,982)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

JUNE 30, 2004

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			Governmental
	<u>MAJOR FUNDS</u>			Activities-
	Water	Sewage		Internal Service
	Supply	Disposal	Totals	Fund
<u>Assets</u>				
<u>Current Assets</u>				
Cash	\$ 2,362,585	\$ 571,868	\$ 2,934,453	\$ 87,916
Receivables (Net, Where Applicable, of Allowances for Uncollectables):				
Accounts	89,155	69,777	158,932	0
Special Assessments	35,455	0	35,455	0
Due from Other Funds	7,446	0	7,446	0
Inventory	0	1,154	1,154	0
Prepaid Expense	3,456	2,796	6,252	1,313
Total Current Assets	\$ 2,498,097	\$ 645,595	\$ 3,143,692	\$ 89,229
<u>Restricted Assets</u>				
Cash	\$ 0	\$ 350,544	\$ 350,544	\$ 0
<u>Advances to Other Funds</u>	\$ 33,636	\$ 0	\$ 33,636	\$ 0
<u>Property, Plant and Equipment</u>				
Land	\$ 5,500	\$ 458,091	\$ 463,591	\$ 0
Land Improvements and Additions	4,121,286	5,304,530	9,425,816	0
Buildings	32,960	0	32,960	0
Machinery and Equipment	1,112,010	293,644	1,405,654	635,819
	\$ 5,271,756	\$ 6,056,265	\$ 11,328,021	\$ 635,819
Less Accumulated Depreciation	1,681,783	2,048,033	3,729,816	364,211
Total Property, Plant and Equipment	\$ 3,589,973	\$ 4,008,232	\$ 7,598,205	\$ 271,608
<b>TOTAL ASSETS</b>	<b>\$ 6,121,706</b>	<b>\$ 5,004,371</b>	<b>\$ 11,126,077</b>	<b>\$ 360,837</b>
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts Payable	\$ 22,856	\$ 12,095	\$ 34,951	\$ 5,508
Due to Other Funds	52	8,284	8,336	0
Total Current Liabilities	\$ 22,908	\$ 20,379	\$ 43,287	\$ 5,508
<u>Current Liabilities Payable From Restricted Assets</u>				
Current Portion of Long-Term Liabilities				
Revenue Bonds	\$ 0	\$ 40,000	\$ 40,000	\$ 0
Equipment Contracts	0	0	0	19,435
Customer Deposits Payable	1,741	0	1,741	0
Total Current Liabilities Payable from Restricted Assets	\$ 1,741	\$ 40,000	\$ 41,741	\$ 19,435

The notes to the financial statements are an integral part of this statement.



CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS

JUNE 30, 2004

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			<u>Governmental</u>
	<u>MAJOR FUNDS</u>			<u>Activities-</u>
	<u>Water</u>	<u>Sewage</u>		<u>Internal Service</u>
	<u>Supply</u>	<u>Disposal</u>	<u>Totals</u>	<u>Fund</u>
<u>Long-Term Liabilities</u>				
Revenue Bonds	\$ 0	\$ 775,000	\$ 775,000	\$ 0
Equipment Contracts	0	0	0	20,671
Total Long-Term Liabilities	\$ 0	\$ 775,000	\$ 775,000	\$ 20,671
Total Liabilities	\$ 24,649	\$ 835,379	\$ 860,028	\$ 45,614
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	3,589,973	3,193,232	6,783,205	231,502
Unrestricted	2,507,084	975,760	3,482,844	83,721
Total Net Assets	\$ 6,097,057	\$ 4,168,992	\$ 10,266,049	\$ 315,223
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds.			107,176	
Net Assets of Business-type Activities			\$ 10,373,225	

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS

JUNE 30, 2004

	Water Supply	Sewage Disposal	Totals	Governmental Activities- Internal Service Fund
<u>Operating Revenues</u>				
Charges for Services	\$ 577,190	\$ 522,571	\$ 1,099,761	\$ 0
Taxes	2,800	0	2,800	0
Rental	0	0	0	132,507
Other Revenue	6,227	4,237	10,464	0
Total Operating Revenues	<u>\$ 586,217</u>	<u>\$ 526,808</u>	<u>\$ 1,113,025</u>	<u>\$ 132,507</u>
<u>Operating Expenses</u>				
Personal Services	\$ 97,226	\$ 94,790	\$ 192,016	\$ 17,505
Employee Benefits	41,670	39,750	81,420	13,139
Professional Services	17,424	14,697	32,121	1,801
Office Supplies and Expense	5,347	3,736	9,083	5
Telephone and Telegraph	3,341	3,457	6,798	0
Insurance	1,772	1,695	3,467	11,100
Operating Supplies and Expense	75,194	59,244	134,438	57,113
Heat, Light and Power	73,333	77,852	151,185	199
Depreciation	116,752	125,323	242,075	42,853
Rentals	19,467	23,175	42,642	1,699
Total Operating Expenses	<u>\$ 451,526</u>	<u>\$ 443,719</u>	<u>\$ 895,245</u>	<u>\$ 145,414</u>
Operating Income (Loss)	<u>\$ 134,691</u>	<u>\$ 83,089</u>	<u>\$ 217,780</u>	<u>\$ (12,907)</u>
<u>Nonoperating Revenues (Expenses)</u>				
Interest Income	\$ 44,318	\$ 16,223	\$ 60,541	\$ 1,208
Sale of Equipment	0	0	0	1,100
Interest and Fiscal Charges	0	(42,750)	(42,750)	(3,736)
Total Nonoperating Revenues (Expenses)	<u>\$ 44,318</u>	<u>\$ (26,527)</u>	<u>\$ 17,791</u>	<u>\$ (1,428)</u>
Net Income (Loss)	\$ 179,009	\$ 56,562	\$ 235,571	\$ (14,335)
<u>Net Assets - Beginning of Year</u>	<u>5,918,048</u>	<u>4,112,430</u>		<u>246,784</u>
<u>Net Assets - Ending of Year</u>	<u>\$ 6,097,057</u>	<u>\$ 4,168,992</u>		<u>\$ 232,449</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds.			<u>(7,284)</u>	
Change in Net Assets of Business-type Activities			<u>\$ 228,287</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

JUNE 30, 2004

	Water Supply	Sewage Disposal	Totals	Governmental Activities- Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers and Users	\$ 565,733	\$ 607,802	\$ 1,173,535	\$ 0
Receipts from Interfund Services Provided	0	0	0	141,071
Payment to Suppliers	(245,448)	(256,093)	(501,541)	(86,686)
Payment to Employees	(97,226)	(94,790)	(192,016)	(17,505)
Net Cash Provided by Operating Activities	<u>\$ 223,059</u>	<u>\$ 256,919</u>	<u>\$ 479,978</u>	<u>\$ 36,880</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of Capital Assets	\$ (102,602)	\$ (24,985)	\$ (127,587)	\$ (39,519)
Principal Paid on Capital Debt	0	(40,000)	(40,000)	(3,736)
Interest Paid on Capital Debt	0	(42,750)	(42,750)	(18,099)
Proceeds from the Sale of Capital Assets	0	0	0	1,100
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (102,602)</u>	<u>\$ (107,735)</u>	<u>\$ (210,337)</u>	<u>\$ (60,254)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Collection of Advances	\$ 44,318	\$ 0	\$ 44,318	\$ 0
Interest Received	31,691	16,223	47,914	1,208
Net Cash Provided (Used) by Investing Activities	<u>\$ 76,009</u>	<u>\$ 16,223</u>	<u>\$ 92,232</u>	<u>\$ 1,208</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 196,466	\$ 165,407	\$ 361,873	\$ (22,166)
<u>Cash and Cash Equivalents</u> - Beginning of Year	<u>2,166,118</u>	<u>757,005</u>	<u>2,923,123</u>	<u>110,082</u>
<u>Cash and Cash Equivalents</u> - End of Year	<u>\$ 2,362,584</u>	<u>\$ 922,412</u>	<u>\$ 3,284,996</u>	<u>\$ 87,916</u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

JUNE 30, 2004

	<u>Water Supply</u>	<u>Sewage Disposal</u>	<u>Totals</u>	<u>Governmental Activities- Internal Service Fund</u>
Reconciliation of Operating Income to Net Cash				
Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 134,691	\$ 83,089	\$ 217,780	\$ (12,907)
Adjustments to Reconcile Operating Income (Loss)				
to Net Cash Provided (Used) by Operating Activities:				
Depreciation	\$ 116,752	\$ 125,323	\$ 242,075	\$ 42,853
(Increase) Decrease in Current Assets				
Accounts Receivable	(17,963)	75,669	57,706	0
Special Assessment Receivable	4,645	0	4,645	0
Due from Other Funds	(7,446)	5,325	(2,121)	8,564
Prepaid Expense	(2,628)	(1,902)	(4,530)	(1,098)
Increase (Decrease) in Current Liabilities				
Accounts Payable	(3,625)	(36,866)	(40,491)	(532)
Due to Other Funds	(1,647)	6,281	4,634	0
Customer Deposits Payable	280	0	280	0
Total Adjustments	\$ 88,368	\$ 173,830	\$ 262,198	\$ 49,787
Net Cash Provided by Operating Activities	\$ 223,059	\$ 256,919	\$ 479,978	\$ 36,880

The notes to the financial statements are an integral part of this statement.

CITY OF EVART  
EVART, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

JUNE 30, 2004

	<u>Tax Agency Accounts</u>
<u>Assets</u>	
Cash	\$      134,085
 <u>Liabilities</u>	
Accounts Payable	\$      130,074
Due to Other Governmental Units	<u>            4,011</u>
 Total Liabilities	 <u>            134,085</u>
 <u>Net Assets</u>	 <u><u>                    0</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART, MICHIGAN  
COMPONENT UNIT  
EVART AREA JOINT FIRE DEPARTMENT  
COMPARATIVE STATEMENT OF NET ASSETS  
JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 93,744	\$ 122,348
Capital Assets	\$ 874,760	\$ 826,915
Less Accumulated Depreciation	(391,518)	(348,837)
Net Capital Assets	\$ 483,242	\$ 478,078
Total Assets	\$ 576,986	\$ 600,426
<u>LIABILITIES</u>		
Accounts Payable	\$ 550	\$ 804
<u>EQUITY</u>		
Net Assets:		
Invested in Capital Assets	\$ 483,242	\$ 478,078
Designated for Equipment Purchases	64,761	64,761
Unrestricted	28,433	56,783
Total Net Assets	\$ 576,436	\$ 599,622

The notes to the financial statements are an integral part of this statement.

CITY OF EVART, MICHIGAN  
COMPONENT UNITS

STATEMENT OF ACTIVITIES  
JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and
		Charges for	Operating	Changes in Net Assets
		Services	Grants and	
			Contributions	Total
<hr/>				
<u>Evart Area Joint Fire Department</u>				
Public Safety				
Fire Protection	\$ 131,911	\$ 6,800	\$ 0	\$ (125,111)
<hr/>				
	<u>General Revenues</u>			
	Contributions from Local Units			\$ 66,069
	Interest and Rents			2,008
	Other			2,289
	Intergovernmental Revenue			31,559
	Total General Revenues			<u>\$ 101,925</u>
<hr/>				
	Change in Net Assets			\$ (23,186)
<hr/>				
	<u>NET ASSETS</u> - Beginning of Year			<u>599,622</u>
<hr/>				
	<u>NET ASSETS</u> - End of Year			<u>\$ 576,436</u>

The notes to the financial statements are an integral part of this statement.

CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Evart, Michigan, was incorporated August 1, 1938, and adopted its current charter on July 1, 1983. The City is located in Osceola County. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire protection), highways and streets, sanitation, health, culture-recreation, public improvements, planning and zoning, housing rehabilitation and general administrative services. In addition, the City operates two major enterprise activities; a water supply system and a sewage collection and treatment system. The City financial statements include the accounts of all City operations.

The financial statements of the City of Evart, Michigan (government) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

As required by generally accepted accounting principles, except for the exclusion of the Downtown Development Authority and the Local Development Finance Authority, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. The blended and the discretely presented component units have a June 30 year end.

BLENDED COMPONENT UNITS

Evart Building Authority

The Evart Building Authority is a municipal, non-profit, non-stock corporation organized under the laws of the State of Michigan solely for the purpose of acquiring and owning buildings for lease to the City. Due to this special financing relationship, the Authority is considered a component of the City's reporting entity.

DISCRETELY PRESENTED COMPONENT UNITS

Evart Area Joint Fire Department

On January 1, 1983, the City of Evart, along with the townships of Evart, Orient, Osceola, and Sylvan, established a joint fire department to provide fire protection to the Evart area. The Fire Department is governed by a fire commission composed of one representative from each municipality. Each municipality has agreed to contribute an equivalent of up to one mill each year



CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

to the Fire Department to cover operating costs and equipment purchases. The City contributes more financial support than any other unit and was selected as the oversight unit for reporting the activities of the Fire Department. This selection is based on the State of Michigan's requirement that one of the local governments report on the entity's financial activities. The Fire Department is presented as a governmental fund type.

**B. Government-wide and Fund Financial Statements**

During fiscal year 2004, the City adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those statements on a retroactive basis. GASB Statements No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the

CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the City are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum numbers of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The City of Evart reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Street Fund* is used to account for the financial activity of the streets designated by the State of Michigan as major thoroughfares and for the maintenance contract of the state trunklines.

The *Local Street Fund* receives all local street money paid to the city by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

The City of Evart reports the following major proprietary funds:

The *Water Fund* records financial activity of the water system which provides water to customers.

The *Sewer Fund* records financial activity of the sewage disposal services to its customers.

Additionally the City of Evart reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *debt service funds* account for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service funds* account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

*Fiduciary funds* account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *permanent funds* are accounted for using the accrual method of accounting. Permanent funds account for assets that are legally restricted to the extent that only the earnings, and not the principal, may be used.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund, Sewer Fund, and of the City's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and for internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

**1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Investments - The City's investment policy is in compliance with state law and authorizes the City to invest in passbook savings accounts, negotiable and nonnegotiable certificates of deposit, repurchase agreements backed by the United States government or federal agency obligations, United States Treasury bills and bonds, bankers acceptances, federal agency instruments, money market funds and commercial paper. Investments in commercial paper must be rated in one of the two highest rating categories by Standard and Poor's or Moody's and are limited to fifty percent of a funds portfolio in accordance with state statutes. Investments are stated at fair value which is determined using selected bases. Securities traded on a national exchange are valued at the last reported sales price. Managed funds not listed on an established market are reported at fair value as determined by the respective fund managers based on quoted prices of underlying securities.

**2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of uncollectibles.

**3. Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. The City bills and collects its own property taxes and also taxes for the county and school districts. Collections

CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

of the county and school taxes and remittance of them to the taxing units are accounted for in the Winter Current Tax Collection Fund. County and school taxes are billed and due December 1, and become delinquent after February 14. City property tax revenues are recognized when levied, thus none of the 2004 summer roll has been recognized in these statements. City taxes are billed and due July 1, and become delinquent after August 10. City tax collections are accounted for in the Summer Tax Collection Fund.

4. Restricted Assets

The restricted assets of the Enterprise Funds consist of bond and interest redemption, bond reserve and system improvement deposits. These have been set up in keeping with the bond indenture agreements. The restricted assets of the Cemetery Perpetual Care Fund produce interest earnings which are restricted to the care of the Cemetery.

5. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Inventories held by the General, Water and Internal Service Funds are not considered material and are not included in these financial statements.

6. Mortgages Receivable

Mortgages Receivable as reported in the Special Revenue Funds consist of the following:

Mortgages resulting from loans made with H.U.D. grant monies to assist low and moderate income families to bring their homes up to the City building code. These loans are either low interest or interest free. An allowance for uncollectible amounts has been recorded.

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment are depreciated in all funds of the government using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	20-50
Public Domain Infrastructure	20-30
Mains and Connections	20-100
Equipment	10-20
Intangibles	3-5

8. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for nonvesting, unpaid accumulated sick leave. Vacation pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are

CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

11. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**A. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and capital projects funds. All annual appropriations lapse at fiscal year-end.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) lapse at year-end and do not constitute expenditures or liabilities because the commitments will generally be reappropriated and honored during the subsequent year.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 20, the City Manager submits, to the City Council, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of an ordinance.



CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

4. All transfers of budget amounts between departments within any fund and any revisions that alter the total expenditures of any fund must be approved by the City Council. General Fund expenditures may not legally exceed appropriations at the major function level. Expenditures in all other funds may not exceed appropriations at the total fund level.
5. Budgets for the General, Special Revenue and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council from time to time throughout the year. The City amended its budget two times during the current fiscal year.
6. Budget appropriations lapse at the end of the fiscal year for all funds, except for certain capital projects which are adopted on a per project basis.

**B. Funds with expenditures in excess of appropriations were as follows:**

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Legislative	\$ 5,038	\$ 5,228
General Government	201,011	205,573
Public Safety	382,741	398,470
Public Works	171,263	174,583

These overages were funded by greater than anticipated revenues in the General Fund.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits**

The City's deposits are owned by several of the City's funds. At year end, the carrying amount of the primary government's deposits was \$4,592,251 and the bank balance was \$4,659,858. \$1,165,661 of the bank balance was covered by federal depository insurance, and \$3,494,197 was uninsured and uncollateralized. This amount included \$2,934,039 of time certificates of deposit and money market accounts which have been classified as cash on the balance sheets.

The carrying amount of the Evart Area Joint Fire Department deposits at year end was \$93,744 and the bank balance was \$93,744. Of the bank balance, \$93,744 was covered by federal depository insurance and \$0 was uninsured and uncollateralized. This amount includes \$44,277 of time certificates of deposit which have been classified as cash on the balance sheet.

The City's investments are categorized in the following schedule to give an indication of the level of risk assumed by the entity at year end.

CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

Category 1 - Investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered investments for which the securities are held by the counterparty's trust department (if a bank), or agent in the City's name.

Category 3 - Uninsured and unregistered investments for which the securities are held by the broker, dealer, or agent but not in the City's name.

The city currently has no investments subject to categorization.

A reconciliation of cash follows:

	PRIMARY GOVERNMENT	COMPONENT UNITS
Cash on Hand	\$ 320	\$ 0
Carrying amount of Deposits	1,657,892	49,467
Carrying amount of Investments	2,934,039	44,277
Total	\$ 4,592,251	\$ 93,744
Government-wide Statement of Net Assets		
Cash	\$ 4,457,676	\$ 93,744
Statement of Fiduciary Net Assets		
Cash	134,575	0
Total	\$ 4,592,251	\$ 93,744

**B. Receivables**

Receivables as of year end for the government's individual major funds and nonmajor, internal service, and fiduciary funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

	General	Major Street	Water and Sewer	Nonmajor and Other Funds	Total
Receivables					
Accounts	\$ 18,041	\$ 0	\$ 158,932	\$ 0	\$ 176,973
Special Assessments					
Current	0	0	35,455	0	35,455
Deferred	0	74,032	0	0	74,032
Mortgages and Notes	0	0	0	25,362	25,362
Less:					
Allowance for Uncollectibles	0	0	0	(3,000)	(3,000)
Net Receivables	\$ 18,041	\$ 74,032	\$ 194,387	\$ 22,362	\$ 308,822

By ordinance, the City can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Deferred Revenue	
	Unavailable	Unearned
Special Assessment Receivable (Special Revenue Funds)	\$ 74,032	0
Mortgages Receivable (Special Revenue Funds)	22,391	0
	\$ 96,423	0

CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 405,979	\$ 0	\$ 0	\$ 405,979
Capital assets, being depreciated				
Buildings	\$ 956,180	\$ 0	\$ 0	\$ 956,180
Intangibles	13,488	0	0	13,488
Land Improvements	2,809,297	0	0	2,809,297
Machinery and equipment	36,048	0	0	36,048
Office Equipment	40,520	0	0	40,520
Paved Roads	5,315,381	138,575	0	5,453,956
Unpaved Roads	45,638	0	0	45,638
Total capital assets, being depreciated	\$ 9,216,552	\$ 138,575	\$ 0	9,355,127
Less accumulated depreciation for:				
Buildings	\$ 68,541	\$ 19,176	\$ 0	\$ 87,717
Intangibles	11,899	629	0	12,528
Land Improvements	1,018,996	137,964	0	1,156,960
Machinery and equipment	5,992	3,522	0	9,514
Office Equipment	22,623	4,147	0	26,770
Paved Roads	2,374,013	177,179	0	2,551,192
Unpaved Roads	24,340	1,521	0	25,861
Total accumulated depreciation	\$ 3,526,404	\$ 344,138	\$ 0	\$ 3,870,542
Total capital assets, being depreciated, net	\$ 5,690,148	\$ (252,952)	\$ 0	\$ 5,484,585
Governmental activities capital assets, net	\$ 6,096,127	\$ (252,952)	\$ 0	\$ 5,890,564
Internal Service Fund net capital assets				179,262
Net capital assets per Statement of Net Assets				<u>\$ 6,069,826</u>

CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

Business-Type Activities

Sewer

Capital assets, not being depreciated

Land	\$	458,091	\$	0	\$	0	\$	458,091
------	----	---------	----	---	----	---	----	---------

Capital assets, being depreciated

Machinery and equipment	\$	293,644	\$	0	\$	0	\$	293,644
Sewer Connection Lines		2,891,556		25,693		0		2,917,249
Treatment System		2,387,281		0		0		2,387,281

Total capital assets, Sewer,  
being depreciated

	\$	5,572,481	\$	25,693	\$	0	\$	5,598,174
--	----	-----------	----	--------	----	---	----	-----------

Less accumulated depreciation for:

Machinery and equipment	\$	249,973	\$	9,508	\$	0	\$	259,481
Sewer Connection Lines		866,874		56,337		0		923,211
Treatment System		805,863		59,478		0		865,341

Total accumulated depreciation, Sewer

	\$	1,922,710	\$	125,323	\$	0	\$	2,048,033
--	----	-----------	----	---------	----	---	----	-----------

Total capital assets, Sewer,  
being depreciated, net

	\$	3,649,771	\$	(99,630)	\$	0	\$	3,550,141
--	----	-----------	----	----------	----	---	----	-----------

Sewer capital assets, net

	\$	4,107,862	\$	(99,630)	\$	0	\$	4,008,232
--	----	-----------	----	----------	----	---	----	-----------

Water

Capital assets, not being depreciated

Land	\$	5,500	\$	0	\$	0	\$	5,500
------	----	-------	----	---	----	---	----	-------

Capital assets, being depreciated

Buildings	\$	32,960	\$	0	\$	0	\$	32,960
Machinery and equipment		91,093		2,983		0		94,076
Mains and Connections		2,881,377		41,323		0		2,922,700
Meters		77,438		0		0		77,438
Tower		1,198,586		0		0		1,198,586
Wells and Control Building		882,200		58,296		0		940,496

CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

Total capital assets, Water, being depreciated	\$	5,163,654	\$	102,602	\$	0	\$	5,266,256
Less accumulated depreciation for:								
Buildings	\$	29,476	\$	249	\$	0	\$	29,725
Machinery and equipment		49,609		5,423		0		55,032
Mains and Connections		661,495		54,827		0		716,322
Meters		76,997		339		0		77,336
Tower		325,736		28,687		0		354,423
Wells and Control Building		421,718		27,227		0		448,945
Total accumulated depreciation, Water	\$	1,565,031	\$	116,752	\$	0	\$	1,681,783
Total capital assets, Water, being depreciated, net	\$	3,598,623	\$	(14,150)	\$	0	\$	3,584,473
Water capital assets, net	\$	3,604,123	\$	(14,150)	\$	0	\$	3,589,973
Total capital assets, net								
Business-type activities	\$	7,711,985	\$	(113,780)	\$	0	\$	7,598,205
Internal Service Fund net capital assets								92,346
Net capital assets per Statement of Net Assets							\$	7,690,551

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General Government	\$	165,438
Major Streets		73,101
Local Streets		105,599
Total depreciation expense - governmental activities	\$	344,138
Business-type activities:		
Sewer	\$	125,323
Water		116,752
Total depreciation expense - business-type activities	\$	242,075

CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**Discretely Presented Component Units:**

Evert Area Joint Fire Department

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities</u>				
Capital assets, not being depreciated				
Land	\$ 726	\$ 0	\$ 0	\$ 726
Capital assets, being depreciated				
Buildings	\$ 218,615	\$ 0	\$ 0	\$ 218,615
Equipment	170,699	25,045	0	195,744
Vehicles	436,875	22,800	0	459,675
Total capital assets being depreciated	\$ 826,189	\$ 47,845	\$ 0	\$ 874,034
Less accumulated depreciation for:				
Buildings	\$ 74,766	\$ 3,935	\$ 0	\$ 78,701
Equipment	77,706	16,617	0	94,323
Vehicles	196,365	22,129	0	218,494
Total accumulated depreciation	\$ 348,837	\$ 42,681	\$ 0	\$ 391,518
Total capital assets, being depreciated, net	\$ 477,352	\$ 5,164	\$ 0	\$ 482,516
Total capital assets, net, Component Unit	\$ 478,078	\$ 5,164	\$ 0	\$ 483,242

**C. Interfund Receivables and Payables**

<u>FUND</u>	INTERFUND RECEIVABLES	INTERFUND PAYABLES
	DUE FROM'S	DUE TO'S
Primary Government Only Due from/to Other Funds:		
General Fund	\$ 1,755	\$ 0
Special Revenue Fund		
Major Street Fund	8,231	30,048
Local Street Fund	30,048	7,446

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Cemetery Fund	0	104
Capital Projects Fund	0	1
Enterprise Fund		
Water Supply System	7,446	52
Sewage Disposal System	0	8,284
Fiduciary Funds		
Cemetery Trust Fund	104	0
AFLAC Fund	0	975
Agency Fund	0	112
Summer Tax Fund	0	3
Winter Tax Fund	0	3
Imprest Payroll Fund	0	528
Vendor Account	0	28
Total Primary Government	\$ 47,584	\$ 47,584
Primary Government Due from Component Units:		
General Fund		
Local Development Financing Authority	\$ 18,231	
Downtown Development Authority	8,680	
	\$ 26,911	
Primary Government Due to Component Units:		
Fiduciary Funds		
Agency Fund		
Local Development Financing Authority	\$ 1,749	

Individual fund interfund receivable and payable balances at June 30, 2004, were:

Interfund payables and receivables are not presented for the component units, Local Development Finance Authority and Downtown Development Authority, because they are not presented in the financial statements as stated earlier in Note A.



CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**D. Leases**

The City is committed under one lease for a postage meter. The lease is an operating lease with no contingent lease payments. Future minimum lease payments are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>AMOUNT</u>
2005	\$ 1,140
2006	1,140
2007	855
2008	0
2009	0
	<u>\$ 3,135</u>

**E. Changes in Long-Term Debt**

The following is a summary of debt transactions of the City of Evart for the year ended June 30, 2004:

Governmental Activities:

	<u>GENERAL OBLIGATION BONDS</u>	<u>OTHER DEBT</u>	<u>TOTAL</u>
Debt Payable at July 1, 2003	\$ 172,800	\$ 97,722	\$ 270,522
Debt Retired	(2,900)	(17,178)	(20,078)
New Debt Issued	0	0	0
<b>DEBT PAYABLE AT JUNE 30, 2004</b>	<b>\$ 169,900</b>	<b>\$ 80,544</b>	<b>\$ 250,444</b>

Debt payable at June 30, 2004 is comprised of the following individual issues:

Governmental Activities

General Obligation

\$178,300, 2001 Building Authority bonds due in annual installments of \$3,100 to \$11,000 through May 1, 2031; interest at 4.875%

\$ 169,900

CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

Other Debt

Compensated Absences

Vested sick and vacation pay owed to City employees under various contracts and agreements (this debt is payable from the General Fund and various Special Revenue Funds)

54,074

Contract Payable - 2000 International Dump Truck-Grader

Equipment pool owes \$939 per month including interest at 7.29% for 72 months through September 2006

23,699

Contract Payable - New Holland Mower - Broom

Equipment pool owes \$2,959 annually including interest at 6.79% for four years through August 2004

2,771

Total Governmental activities

\$ 250,444

The annual requirements to amortize debt outstanding other than vested sick and vacation pay as of June 30, 2004, are as follows:

YEAR ENDING JUNE 30,	GENERAL OBLIGATION BONDS	OTHER DEBT	TOTAL
2005			
Principal	\$ 3,100	\$ 12,827	\$ 15,927
Interest	8,282	1,584	9,866
Total	\$ 11,382	\$ 14,411	\$ 25,793
2006			
Principal	\$ 3,300	\$ 10,814	\$ 14,114
Interest	8,132	638	8,770
Total	\$ 11,432	\$ 11,452	\$ 22,884
2007			
Principal	\$ 3,400	\$ 2,829	\$ 6,229
Interest	7,970	34	8,004
Total	\$ 11,370	\$ 2,863	\$ 14,233

CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

2008					
Principal	\$	3,600	\$	0	\$ 3,600
Interest		7,804		0	7,804
Total	\$	11,404	\$	0	\$ 11,404
2009					
Principal	\$	3,800	\$	0	\$ 3,800
Interest		7,630		0	7,630
Total	\$	11,430	\$	0	\$ 11,430
2010-2014					
Principal	\$	22,000	\$	0	\$ 22,000
Interest		35,174		0	35,174
Total	\$	57,174	\$	0	\$ 57,174
2015-2019					
Principal	\$	28,100	\$	0	\$ 28,100
Interest		29,254		0	29,254
Total	\$	57,354	\$	0	\$ 57,354
2020-2024					
Principal	\$	35,800	\$	0	\$ 35,800
Interest		21,690		0	21,690
Total	\$	57,490	\$	0	\$ 57,490
2025-2029					
Principal	\$	45,300	\$	0	\$ 45,300
Interest		12,084		0	12,084
Total	\$	57,384	\$	0	\$ 57,384
2030-2031					
Principal	\$	21,500	\$	0	\$ 21,500
Interest		1,584		0	1,584
Total	\$	23,084	\$	0	\$ 23,084
Grand Total					
Principal	\$	169,900	\$	26,470	\$ 196,370
Interest		139,604		2,256	141,860
Total	\$	309,504	\$	28,726	\$ 338,230

CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

Business-Type Activities:

	REVENUE BONDS	OTHER DEBT	TOTAL
Debt Payable at July 1, 2003	\$ 855,000	\$ 19,790	\$ 874,790
Debt Retired	(40,000)	(6,154)	(46,154)
New Debt Issued	0	0	0
DEBT PAYABLE AT JUNE 30, 2004	\$ 815,000	\$ 13,636	\$ 828,636

Debt payable at June 30, 2004 is comprised of the following individual issues:

Business-type activities:

Revenue Bonds

\$1,930,000 Sewage Disposal System FmHA Bonds due in annual installments of \$40,000 to \$80,000 through July 1, 2018; interest at 5.0% \$ 815,000

Other Debt

Contract Payable - 2000 International Dump Truck-Grader  
Equipment pool owes \$476 per month including interest at 7.29% for 72 months through September 2006 12,209

Contract Payable - New Holland Mower - Broom  
Equipment pool owes \$1,524 annually including interest at 6.79% for four years through August 2004 1,427

Total Business-type activities \$ 828,636

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

The annual requirements to amortize all debt outstanding for the business-type activities as of June 30, 2004, are as follows:

YEAR ENDING JUNE 30,	REVENUE BONDS	OTHER DEBT	TOTAL
2005			
Principal	\$ 40,000	\$ 6,608	\$ 46,608
Interest	40,750	816	41,566
Total	\$ 80,750	\$ 7,424	\$ 88,174
2006			
Principal	\$ 45,000	\$ 5,571	\$ 50,571
Interest	38,750	329	39,079
Total	\$ 83,750	\$ 5,900	\$ 89,650
2007			
Principal	\$ 45,000	\$ 1,457	\$ 46,457
Interest	36,500	18	36,518
Total	\$ 81,500	\$ 1,475	\$ 82,975
2008			
Principal	\$ 50,000	\$ 0	\$ 50,000
Interest	34,250	0	34,250
Total	\$ 84,250	\$ 0	\$ 84,250
2009			
Principal	\$ 50,000	\$ 0	\$ 50,000
Interest	31,750	0	31,750
Total	\$ 81,750	\$ 0	\$ 81,750
2010-2014			
Principal	\$ 295,000	\$ 0	\$ 295,000
Interest	118,000	0	118,000
Total	\$ 413,000	\$ 0	\$ 413,000
2015-2018			
Principal	\$ 290,000	\$ 0	\$ 290,000
Interest	37,500	0	37,500
Total	\$ 327,500	\$ 0	\$ 327,500
Grand Total			
Principal	\$ 815,000	\$ 13,636	\$ 828,636
Interest	337,500	1,163	338,663
Total	\$ 1,152,500	\$ 14,799	\$ 1,167,299

CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**F. Advances To/From Other Funds**

The Water Supply System advanced construction funds to the Local Street Fund. The terms of payment are 36 months with quarterly payments of \$23,352, including interest at 6%, with final maturity scheduled for June 30, 2005. Balance at June 30, 2004

\$ 33,636

**G. Operating Transfers In (Out)**

The following is a schedule of operating transfers between funds for the year ending June 30, 2004:

<u>FUND</u>	<u>OPERATING TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
<u>General Fund</u>		
To		
Major Street Fund	\$ 0	\$ 70,000
Local Street Fund	0	13,500
Park Recreation Fund	0	15,000
Cemetery Fund	0	27,500
Community Recreation Fund	0	7,200
<u>Special Revenue Fund</u>		
Major Street Fund		
From		
General Fund	70,000	0
To		
Local Street Fund	0	30,048
Local Street Fund		
From		
General Fund	13,500	0
Major Street Fund	30,048	0
Park Recreation Fund		
From		
General Fund	15,000	0

CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

Cemetery Fund		
From		
General Fund	27,500	0
Community Recreation Fund		
From		
General Fund	7,200	0
	<hr/>	<hr/>
TOTALS	\$ 163,248	\$ 163,248
	<hr/>	<hr/>

**H. Intergovernmental**

The following is a schedule of intergovernmental transactions between the primary government and the component unit for the year ending June 30, 2004:

<u>FUND</u>	<u>INTERGOVERNMENTAL</u>	
	<u>IN</u>	<u>OUT</u>
<u>Primary Government</u>		
<u>General Fund – Public Safety</u>		
To Component Unit		
Ewart Area Joint Fire Department	\$ 0	\$ 31,559
	<hr/>	<hr/>
TOTALS	\$ 0	\$ 31,559
	<hr/>	<hr/>

**I. Interest Income and Interest Expense**

Individual fund interest income and interest expense for the primary government for the year ending June 30, 2004, were:

**Interest Income and Interest Expense**

<u>FUND</u>	<u>INTEREST</u> <u>INCOME</u>	<u>INTEREST</u> <u>EXPENSE</u>
General Fund	\$ 17,649	\$ 0
Special Revenue Fund		
Major Street Fund	3,851	0
Local Street Fund	1,850	3,215
Park Operation Fund	427	0
Cemetery Operating Fund	3,601	26

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Cemetery Operating Fund	3,601	26
1976 Housing Rehabilitation Fund	788	0
1983 Housing Rehabilitation Fund	608	0
Community Recreation Fund	164	0
Debt Service Fund		
Debt Service- 2001 Building Authority Bonds	0	8,424
Capital Projects Fund		
Capital Projects- Fire Vehicle	144	0
Enterprise Fund		
Water Supply System	44,318	0
Sewage Disposal System	16,223	42,750
Internal Service Fund		
Equipment Pool Fund	1,208	3,736
	<u>\$ 90,831</u>	<u>\$ 58,151</u>

Interest received in the Cemetery Trust Fund is recorded in the Cemetery Operating Fund and interest received in the Summer Tax Collection Fund and the Winter Tax Collection Fund is recorded in the General Fund.

Interest income and interest expense for the component unit for the year ending June 30, 2004, was:

COMPONENT UNIT

	INTEREST INCOME	INTEREST EXPENSE
Evart Area Joint Fire Department Fund	\$ 1,608	\$ 0

IV. OTHER INFORMATION

The City was unable to obtain all the pension disclosure information necessary for GASB 27 reporting.

**A. Employee Retirement Systems**

Plan Description and Provisions:

The City participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability and death benefits to plan members and their beneficiaries. The



CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at:

MERS  
Municipal Employees' Retirement System of Michigan  
1134 Municipal Way  
Lansing, MI 48917

Funding Status and Progress:

The obligation to contribute to the system for these employees was established by the City Council under Act 427 of Public Acts of 1984 and administered by the State of Michigan. The covered payroll for the year ended June 30, 2004 was \$371,812. The amount contributed by the city was 12.71% of covered payroll. The plan required a contribution from the employees of 3% of the first \$4,200 of annual wages and 5% of annual wages in excess of \$4,200.

Annual Pension Cost:

The annual required contribution was determined as part of an actuarial valuation at December 31, using the entry actual age cost method. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation (c) additional projected salary increases ranging from 0.0% to 4.16% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year annually after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of 30 years.

**Three-Year Trend Information for MERS**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	43,424	100.0%	0
6/30/03	43,478	100.0%	0
6/30/04	47,629	100.0%	0

CITY OF EVART, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**Schedule of Funding Progress for MERS**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarially	Unfunded	Funded Ratio (a/b)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) - Entry Age ( b )	(Overfunded) AAL (UAAL) (b - a)			
12/31/01	495,828	768,830	273,002	64%	394,934	69%
12/31/02	577,401	847,216	269,815	68%	451,347	60%
12/31/03	681,695	910,454	228,759	75%	392,862	58%

The City also funds an ICMA Retirement Corporation plan for certain employees. For the year ended June 30, 2004 the contribution was \$10,090. These accounts are the property of the employees, thus no GASB 27 disclosures are included in the City's reporting entity.

**B. Contingent Liabilities**

Federal Grants

The City participates in a number of federally assisted grant programs, principal of which are Community Development Block Grants, and Economic Development Administration Grants. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2004, have not yet been completed. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Tax Abatement Proceedings

Currently, the City has several cases being brought to the Michigan Tax Tribunal for reduction of assessed values due to proposed changes in the calculations of valuations on assets of certain taxpayers. If successful in their petition for reduced taxable values, the City's tax revenues may be reduced; the amount of potential reduction is not known.

CITY OF EVART, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**C. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation; and natural disasters for which the City carries commercial insurance.

**D. Commitments and Contracts Let**

The City, Chrysler Corporation and Evart Products Textron reached a joint agreement to clean up the ground water contamination site at the landfill. The plan calls for a ground cap to reduce the flow of contaminants. The plan had a five-year clean up with the first year to require approximately \$130,000 from the City to put the ground cap in place, including topsoil and erosion protection. The City's portion of the site remediation is not expected to exceed \$269,000; to date, the City has expended approximately \$231,282 of this expected amount.

The plan also calls for a maintenance program at the site, which the City will monitor, to ensure the cap is in place and to minimize public contact with the landfill site.

CITY OF EVART  
EVART, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2004

	GENERAL FUND				MAJOR STREET FUND				LOCAL STREET FUND			
	Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
<u>Revenues</u>												
Taxes	\$ 553,967	\$ 553,967	\$ 586,538	\$ 32,571	\$ 3,828	\$ 3,828	\$ 8,639	\$ 4,811	\$ 2,000	\$ 2,000	\$ 0	\$ (2,000)
Licenses and Permits	590	590	847	257	0	0	0	0	0	0	0	0
State Grants	163,778	163,778	180,056	16,278	114,000	114,000	124,475	10,475	36,589	36,589	40,571	3,982
Charges for Services	73,649	73,649	56,755	(16,894)	0	0	0	0	0	0	0	0
Fines and Forfeits	50	50	355	305	0	0	0	0	0	0	0	0
Interest and Rents	21,500	21,500	17,649	(3,851)	5,100	5,100	3,851	(1,249)	0	0	0	0
Other Revenue	8,060	8,060	136,997	128,937	0	0	0	0	2,200	2,200	1,850	(350)
Total Revenues	\$ 821,594	\$ 821,594	\$ 979,197	\$ 157,603	\$ 122,928	\$ 122,928	\$ 136,965	\$ 14,037	\$ 40,789	\$ 40,789	\$ 42,421	\$ 1,632
<u>Expenditures</u>												
Legislative	\$ 3,610	\$ 5,038	\$ 5,228	\$ 190	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Government	163,991	201,011	206,945	5,934	0	0	0	0	0	0	0	0
Public Safety	329,305	382,741	398,469	15,728	0	0	0	0	0	0	0	0
Public Works	177,622	171,263	174,583	3,320	167,874	228,841	216,202	(12,639)	0	0	0	0
Economic Development and Assistance	200	0	0	0	0	0	0	0	81,566	85,884	62,350	(23,534)
Principal	0	0	0	0	0	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0	0	31,692	31,692	0	(31,692)
Other Functions	45,100	50,926	49,435	(1,491)	0	0	0	0	3,215	3,215	3,215	0
Total Expenditures	\$ 719,828	\$ 810,979	\$ 834,660	\$ 23,681	\$ 167,874	\$ 228,841	\$ 216,202	\$ (12,639)	\$ 116,473	\$ 120,791	\$ 65,565	\$ (55,226)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 101,766	\$ 10,615	\$ 144,537	\$ 133,922	\$ (44,946)	\$ (105,913)	\$ (79,237)	\$ 26,676	\$ (75,684)	\$ (80,002)	\$ (23,144)	\$ 56,858
<u>Other Financing Sources (Uses)</u>												
Operating Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 70,000	\$ 70,000	\$ 70,000	\$ 0	\$ 45,900	\$ 45,900	\$ 43,548	\$ (2,352)
Operating Transfers Out	(133,200)	(133,200)	(133,200)	0	(32,400)	(32,400)	(30,048)	2,352	0	0	0	0
Total Other Financing Sources (Uses)	\$ (133,200)	\$ (133,200)	\$ (133,200)	\$ 0	\$ 37,600	\$ 37,600	\$ 39,952	\$ 2,352	\$ 45,900	\$ 45,900	\$ 43,548	\$ (2,352)
Net Change in Fund Balance	\$ (31,434)	\$ (122,585)	\$ 11,337	\$ 133,922	\$ (7,346)	\$ (68,313)	\$ (39,285)	\$ 29,028	\$ (29,784)	\$ (34,102)	\$ 20,404	\$ 54,506
<u>Fund Balance - Beginning of Year</u>	477,769	477,769	477,769	0	251,769	251,769	251,769	0	66,699	66,699	66,699	0
<u>Fund Balance - End of Year</u>	\$ 446,335	\$ 355,184	\$ 489,106	\$ 133,922	\$ 244,423	\$ 183,456	\$ 212,484	\$ 29,028	\$ 36,915	\$ 32,597	\$ 87,103	\$ 54,506

CITY OF EVART, MICHIGAN  
GENERAL FUND  
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 422,860	\$ 526,829
Receivables		
Refuse Accounts	17,049	22,508
Taxes	992	0
Other	1,649	1,582
Due from Other Governments		
State of Michigan	24,773	44,605
Due from Component Units		
Downtown Development Authority	8,680	3,150
Local Development Finance Authority	18,231	4,325
Due from Other Funds		
Major Street Fund	0	4,000
Park Fund	0	2,000
Recreation Fund	0	1,000
Building Authority Fund	1	0
Sewage Disposal System	53	72
Water Supply System	52	77
Prepaid Expenses	6,877	2,471
 TOTAL ASSETS	 <u>\$ 501,217</u>	 <u>\$ 612,619</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 11,655	\$ 24,936
Due to Other Governments	456	106,882
Due to Other Funds		
Equipment Pool Fund	0	3,032
 Total Liabilities	 <u>\$ 12,111</u>	 <u>\$ 134,850</u>
 <u>FUND BALANCE</u>		
Reserved for		
Prepaid Expenses	\$ 6,877	\$ 2,471
Unreserved		
Undesignated	482,229	475,298
 Total Fund Balance	 <u>\$ 489,106</u>	 <u>\$ 477,769</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 501,217</u>	 <u>\$ 612,619</u>

CITY OF EVART, MICHIGAN

GENERAL FUND

SUMMARY - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 553,967	\$ 586,538	\$ 547,904
Licenses and Permits	590	847	896
State Grants	163,778	180,056	190,674
Charges for Services	73,649	56,755	73,487
Fines and Forfeits	50	355	296
Interest and Rents	21,500	17,649	20,230
Other Revenue	8,060	136,997	25,170
Total Revenues	\$ 821,594	\$ 979,197	\$ 858,657
<u>EXPENDITURES</u>			
Legislative	\$ 5,038	\$ 5,228	\$ 2,309
General Government	201,011	206,945	183,218
Public Safety	382,741	398,469	379,529
Public Works	171,263	174,583	175,208
Economic Development and Assistance	0	0	202
Other Functions	50,926	49,435	41,851
Total Expenditures	\$ 810,979	\$ 834,660	\$ 782,317
Excess (Deficiency) of Revenues Over Expenditures	\$ 10,615	\$ 144,537	\$ 76,340
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers Out	\$ (133,200)	\$ (133,200)	\$ (172,700)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	\$ (122,585)	\$ 11,337	\$ (96,360)
<u>FUND BALANCE</u> - Beginning of Year	477,769	477,769	574,129
<u>FUND BALANCE</u> - End of Year	\$ 355,184	\$ 489,106	\$ 477,769

CITY OF EVART, MICHIGAN

DETAIL - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes			
Current Property	\$ 483,656	\$ 514,023	\$ 481,805
Industrial Facilities	32,894	32,334	32,894
Tax Collection Fees	15,897	19,325	0
Special Assessments-Paving	0	0	7,279
Special Assessments-Curb and Gutter	0	0	5,132
Trailer Fees	70	0	79
Payments in Lieu of Tax	17,800	17,903	17,800
Penalties and Interest	3,650	2,953	2,915
	<u>\$ 553,967</u>	<u>\$ 586,538</u>	<u>\$ 547,904</u>
Licenses and Permits			
Dog Licenses	\$ 100	\$ 99	\$ 112
Permits	40	178	54
Variance and Zoning Fees	450	570	730
	<u>\$ 590</u>	<u>\$ 847</u>	<u>\$ 896</u>
State Grants			
State Revenue Sharing			
Sales and Use Tax	\$ 161,928	\$ 178,161	\$ 188,767
Liquor Licenses	1,850	1,895	1,907
	<u>\$ 163,778</u>	<u>\$ 180,056</u>	<u>\$ 190,674</u>
Charges for Services			
Police Reports and Copying Fees	\$ 1,910	\$ 685	\$ 1,059
Restitution	0	137	750
Refuse Collection	71,739	55,933	71,678
	<u>\$ 73,649</u>	<u>\$ 56,755</u>	<u>\$ 73,487</u>
Fines and Forfeits	<u>\$ 50</u>	<u>\$ 355</u>	<u>\$ 296</u>
Interest and Rents			
Interest	<u>\$ 21,500</u>	<u>\$ 17,649</u>	<u>\$ 20,230</u>
Other Revenue			
Cable T.V. Franchise	\$ 7,900	\$ 10,502	\$ 4,251
Copies and Faxes	150	12	51
Public Telephone Commissions	10	0	0
Right of Way Revenue	0	6,871	1,594
Sale of Fixed Assets	0	24,000	0
Reimbursements	0	313	354

CITY OF EVART, MICHIGAN

DETAIL - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Miscellaneous	0	95,299	18,920
	\$ 8,060	\$ 136,997	\$ 25,170
Total Revenues	\$ 821,594	\$ 979,197	\$ 858,657
<u>EXPENDITURES</u>			
Legislative			
City Council			
Wages Part-Time	\$ 5,015	\$ 5,205	\$ 2,262
Operating Supplies	23	23	47
Total Legislative	\$ 5,038	\$ 5,228	\$ 2,309
General Government			
Chief Executive			
Wages Part-Time	\$ 2,185	\$ 2,165	\$ 1,140
City Manager			
Salaries	\$ 25,289	\$ 25,285	\$ 25,528
Wages Part-Time	12,546	12,059	4,713
Office Supplies	575	575	84
Operating Supplies	14	14	18
Postage	0	0	314
Membership and Dues	652	652	566
Communications	894	893	587
Transportation	1,077	1,112	3,262
Printing and Publication	46	46	0
Education and Training	689	688	1,322
Capital Outlay	2,460	2,460	0
	\$ 44,242	\$ 43,784	\$ 36,394
Elections			
Wages Part-Time	\$ 0	\$ 0	\$ 2,309
Operating Supplies	39	39	855
Postage	0	0	258
Professional Services	0	0	559
Transportation	0	0	19
Printing and Publication	84	428	648
Education and Training	90	90	0
	\$ 213	\$ 557	\$ 4,648



CITY OF EVART, MICHIGAN

DETAIL - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Independent Audit and Accounting			
Professional Services	\$ 14,979	\$ 14,979	\$ 17,452
Treasurer/Accounts Manager			
Salaries and Wages	\$ 19,426	\$ 19,357	\$ 16,461
Office Supplies	338	337	217
Operating Supplies	120	120	90
Postage	359	580	1
Professional Services - Software Support	0	0	1,307
Professional Services	0	0	300
Professional Services - Property Tax Issues	11,170	11,170	18,400
Membership and Dues	40	40	50
Transportation	253	253	158
Printing and Publication	2,910	2,909	1,534
Education and Training	600	600	100
Capital Outlay	1,710	1,710	384
	<u>\$ 36,926</u>	<u>\$ 37,076</u>	<u>\$ 39,002</u>
Assessor			
Postage	\$ 449	\$ 448	\$ 263
Professional Services	7,005	7,005	6,392
Printing and Publication	432	431	861
	<u>\$ 7,886</u>	<u>\$ 7,884</u>	<u>\$ 7,516</u>
Attorney			
Professional Services	\$ 38,420	\$ 38,481	\$ 19,186
City Clerk's Office			
Salaries	\$ 12,300	\$ 12,223	\$ 10,000
Wages - Deputy Clerk	400	311	891
Wages - Deputy Clerk	10,782	10,004	9,797
Office Supplies	273	273	179
Office Supplies - Deputy Clerk	285	285	12
Operating Supplies	0	0	134
Operating Supplies - Deputy Clerk	0	0	8
Postage	12	24	0
Professional Services	325	325	134
Transportation	0	0	21
Transportation - Deputy Clerk	7	7	0

CITY OF EVART, MICHIGAN

DETAIL - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Printing and Publication	2,732	2,856	4,552
Repair and Maintenance	0	0	188
Education and Training	30	30	20
Capital Outlay	2,399	2,398	263
Capital Outlay - Deputy Clerk	680	680	0
	\$ 30,225	\$ 29,416	\$ 26,199
Board of Review			
Wages	\$ 1,200	\$ 1,200	\$ 1,125
Unemployment Compensation	33	19	19
	\$ 1,233	\$ 1,219	\$ 1,144
Building and Grounds - City Hall			
Office Supplies	\$ 2,750	\$ 2,754	\$ 836
Operating Supplies	973	973	1,956
Postage	2,138	2,190	1,135
Professional Services	499	499	273
Transportation	14	14	190
Membership and Dues	415	415	508
Communications	2,895	3,160	3,168
Printing and Publishing	805	1,030	0
Utilities	6,699	7,011	6,886
Repair and Maintenance	4,063	4,520	3,099
Equipment Rental	508	500	500
Miscellaneous	1,753	1,770	0
Education and Training	0	0	12
Capital Outlay	1,190	1,190	7,253
	\$ 24,702	\$ 26,026	\$ 25,816
Other			
Taxes Abated and Written Off	\$ 0	\$ 5,358	\$ 4,721
Total General Government	\$ 201,011	\$ 206,945	\$ 183,218
Public Safety			
Police Department			
Salaries	\$ 39,613	\$ 39,601	\$ 38,521
Wages	69,785	42,302	89,556
Salaries and Wages Part-Time	65,209	64,798	18,080
Officer Douglas Buyout	39,690	80,475	0

CITY OF EVART, MICHIGAN

DETAIL - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Officer Sly Buyout	5,310	10,765	0
Medicare	1,902	2,117	2,524
Social Security	9,103	9,051	9,131
Health and Life Insurance	35,311	35,311	45,694
Retirement	13,940	14,078	19,037
Compensated Absences	1,776	1,775	1,708
Unemployment Compensation	1,860	1,526	758
Worker's Compensation	2,493	2,492	1,495
Office Supplies	2,431	2,430	2,805
Operating Supplies	8,828	9,026	4,007
Postage	250	17	128
Uniforms	293	293	1,266
Uniform Allowances	1,651	1,653	0
Professional Services	473	473	137
Membership and Dues	50	50	25
Communications	3,575	3,869	3,089
Transportation	803	810	373
Gas and Oil	0	0	216
Printing and Publication	237	237	0
Insurance	4,201	4,201	2,788
Utilities	3,889	4,194	3,905
Repair and Maintenance	2,973	2,967	2,492
Building Rental	9,626	9,625	9,656
Equipment Rental	18,380	18,377	18,000
Education and Training	1,289	1,289	460
Capital Outlay	0	0	1,756
	\$ 344,941	\$ 363,802	\$ 277,607
Police Auxiliary			
Operating Supplies	\$ 300	\$ 2,158	\$ 0
Uniforms	800	800	348
Professional Services	100	100	0
Education and Training	50	50	0
	\$ 1,250	\$ 3,108	\$ 348
Fire Protection			
Intergovernmental Expenditure	\$ 36,550	\$ 31,559	\$ 101,511

CITY OF EVART, MICHIGAN

DETAIL - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Planning and Zoning			
Professional Services			
Master Land Use Plan	\$ 0	\$ 0	\$ 63
Total Public Safety	\$ 382,741	\$ 398,469	\$ 379,529
Public Works			
Landfill			
Operating Supplies	\$ 0	\$ 0	\$ 32
Professional Services	5,426	4,998	3,744
Printing and Publication	153	153	0
Repair and Maintenance	800	800	1,780
Equipment Rental	508	500	500
Capital Outlay	0	0	460
	\$ 6,887	\$ 6,451	\$ 6,516
Department of Public Works			
Salaries	\$ 4,093	\$ 4,081	\$ 6,191
Wages	18,819	18,705	18,463
Office Supplies	279	278	27
Operating Supplies	5,110	5,362	2,926
Membership and Dues	429	428	20
Licenses	41	41	0
Physicals	342	342	320
Communications	310	318	131
Transportation	194	193	173
Printing and Publication	243	242	33
Utilities	4,065	4,114	3,600
Repair and Maintenance	3,600	3,528	838
Equipment Rentals	14,610	14,560	14,560
Education and Training	513	513	150
Interest, Fines and Penalties	200	200	0
	\$ 52,848	\$ 52,905	\$ 47,432
Airport			
Wages	\$ 1,797	\$ 1,847	\$ 1,236
Operating Supplies	80	80	130
Professional Services	(333)	813	9,098
Membership and Dues	95	95	94

CITY OF EVART, MICHIGAN

DETAIL - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
Communications	551	601	587
Insurance	2,537	2,537	2,549
Utilities	1,341	1,538	1,823
Repair and Maintenance	3,125	3,285	4,702
Equipment Rental	2,320	2,300	2,300
Education and Training	430	429	125
	\$ 11,943	\$ 13,525	\$ 22,644
Tree Trimming and Maintenance			
Salaries and Wages	\$ 2,620	\$ 2,780	\$ 5,772
Membership and Dues	0	0	80
Repair and Maintenance	858	858	460
Equipment Rental	570	520	520
	\$ 4,048	\$ 4,158	\$ 6,832
Street Lighting			
Electricity	\$ 23,306	\$ 25,314	\$ 20,568
Refuse Collection			
Professional Services	\$ 72,231	\$ 72,230	\$ 71,216
Total Public Works	\$ 171,263	\$ 174,583	\$ 175,208
Economic Development and Assistance			
Planning Commission			
Printing and Publishing	\$ 0	\$ 0	\$ 202
Other Functions			
Fringe Benefits			
Medicare	\$ 1,927	\$ 1,823	\$ 1,634
Social Security	7,924	7,793	6,361
Health and Life Insurance	9,270	8,592	13,224
Retirement	7,729	7,559	7,555
Compensated Absences	9,720	9,550	726
Unemployment Compensation	400	332	245
	\$ 36,970	\$ 35,649	\$ 29,745
Insurance			
Worker's Compensation	\$ 1,300	\$ 1,131	\$ 1,505
Other	11,379	11,379	8,950
	\$ 12,679	\$ 12,510	\$ 10,455

CITY OF EVART, MICHIGAN

DETAIL - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Special Events			
Community Promotion	\$ 1,277	\$ 1,276	\$ 1,651
Total Other Functions	\$ 50,926	\$ 49,435	\$ 41,851
Total Expenditures	\$ 810,979	\$ 834,660	\$ 782,317
Excess (Deficiency) of Revenues Over Expenditures	\$ 10,615	\$ 144,537	\$ 76,340
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers Out	\$ (133,200)	\$ (133,200)	\$ (172,700)
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (122,585)	\$ 11,337	\$ (96,360)
<u>FUND BALANCE</u> - Beginning of Year	477,769	477,769	574,129
<u>FUND BALANCE</u> - End of Year	\$ 355,184	\$ 489,106	\$ 477,769

CITY OF EVART, MICHIGAN  
MAJOR STREET FUND  
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 265,526	\$ 245,133
Receivables		
Accounts	0	387
Special Assessments	74,032	5,171
Due from Other Governments		
State of Michigan	20,397	21,127
Due from Other Funds		
General Fund	0	2,564
Sewer Fund	8,231	0
Prepaid Expense	1,173	224
	<hr/>	<hr/>
TOTAL ASSETS	\$ 369,359	\$ 274,606
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 52,795	\$ 11,876
Due to Other Funds		
Local Street Fund	30,048	0
Sewer Fund	0	5,325
Equipment Pool Fund	0	465
Deferred Revenue	74,032	5,171
	<hr/>	<hr/>
Total Liabilities	\$ 156,875	\$ 22,837
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved for		
Prepaid Expenses	\$ 1,173	\$ 224
Unreserved	211,311	251,545
	<hr/>	<hr/>
Total Fund Balance	\$ 212,484	\$ 251,769
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 369,359	\$ 274,606
	<hr/>	<hr/>

CITY OF EVART, MICHIGAN  
MAJOR STREET FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes			
High Street Special Assessment	\$ 828	\$ 414	\$ 383
Sidewalk Special Assessment	3,000	0	0
Main Street Special Assessment	0	8,225	0
State Grants			
State Revenue Sharing - Act 51	108,000	120,194	111,717
Trunkline Maintenance	6,000	4,281	6,731
Interest and Rents			
Interest	5,100	3,851	4,501
Other Revenue			
Refunds and Rebates	0	0	6,983
Total Revenues	<u>\$ 122,928</u>	<u>\$ 136,965</u>	<u>\$ 130,315</u>
<u>EXPENDITURES</u>			
Public Works			
Street Construction			
Wages	\$ 0	\$ 0	\$ 112
Professional Services	68,000	0	62,796
Repair and Maintenance	50,000	0	5,001
Equipment Rentals	500	123	0
Capital Outlay	0	138,452	0
	<u>\$ 118,500</u>	<u>\$ 138,575</u>	<u>\$ 67,909</u>
Routine Maintenance			
Wages	\$ 5,006	\$ 5,037	\$ 4,905
Operating Supplies	1,775	2,114	395
Repair and Maintenance	23,025	13,840	21,409
Equipment Rentals	9,839	9,353	9,050
	<u>\$ 39,645</u>	<u>\$ 30,344</u>	<u>\$ 35,759</u>
Winter Maintenance			
Wages	\$ 5,088	\$ 4,923	\$ 3,401
Operating Supplies	7,233	7,233	2,632
Equipment Rentals	15,836	14,516	8,941
	<u>\$ 28,157</u>	<u>\$ 26,672</u>	<u>\$ 14,974</u>



CITY OF EVART, MICHIGAN  
MAJOR STREET FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Sidewalks			
Wages	\$ 259	\$ 0	\$ 214
Operating Supplies	0	0	382
Repair and Maintenance	12,000	0	0
Equipment Rentals	0	0	141
	<u>\$ 12,259</u>	<u>\$ 0</u>	<u>\$ 737</u>
Administration			
Wages	\$ 2,374	\$ 2,269	\$ 3,470
Medicare	229	193	220
Social Security	981	826	941
Health Insurance	4,874	3,728	3,901
Retirement	1,648	1,440	1,488
Other Fringe Benefits	100	65	83
Unemployment Compensation	266	59	50
Worker's Compensation	725	712	0
Operating Supplies	100	21	141
Professional Services	1,959	1,059	966
Memberships and Dues	50	46	0
Insurance	100	97	83
	<u>\$ 13,406</u>	<u>\$ 10,515</u>	<u>\$ 11,343</u>
Sweeping			
Professional Services	\$ 670	\$ 667	\$ 0
Shoulder Work			
Salaries and Wages	\$ 400	\$ 42	\$ 0
Equipment Rental	400	26	0
	<u>\$ 800</u>	<u>\$ 68</u>	<u>\$ 0</u>
Drainage			
Wages	\$ 341	\$ 297	\$ 0
Equipment Rental	784	38	0
	<u>\$ 1,125</u>	<u>\$ 335</u>	<u>\$ 0</u>
Grass and Weed Control			
Salaries and Wages	\$ 1,400	\$ 132	\$ 1,041
Operating Supplies	200	17	41
	<u>\$ 1,600</u>	<u>\$ 149</u>	<u>\$ 1,082</u>

CITY OF EVART, MICHIGAN  
MAJOR STREET FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Traffic Signs			
Salaries and Wages	\$ 163	\$ 134	\$ 269
Operating Supplies	1,800	281	1,982
	<u>\$ 1,963</u>	<u>\$ 415</u>	<u>\$ 2,251</u>
State Trunkline			
Wages	\$ 800	\$ 729	\$ 983
Operating Supplies	500	366	282
Professional Services	0	0	478
Utilities	4,916	5,200	1,490
Repair and Maintenance	1,000	678	891
Equipment Rentals	3,500	1,489	2,024
	<u>\$ 10,716</u>	<u>\$ 8,462</u>	<u>\$ 6,148</u>
Total Expenditures	<u>\$ 228,841</u>	<u>\$ 216,202</u>	<u>\$ 140,203</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (105,913)</u>	<u>\$ (79,237)</u>	<u>\$ (9,888)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	\$ 70,000	\$ 70,000	\$ 70,000
Operating Transfers Out	(32,400)	(30,048)	(33,304)
Total Other Financing Sources (Uses)	<u>\$ 37,600</u>	<u>\$ 39,952</u>	<u>\$ 36,696</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	<u>\$ (68,313)</u>	<u>\$ (39,285)</u>	<u>\$ 26,808</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>251,769</u>	<u>251,769</u>	<u>224,961</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 183,456</u>	<u>\$ 212,484</u>	<u>\$ 251,769</u>

CITY OF EVART, MICHIGAN  
LOCAL STREET FUND  
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 90,785	\$ 133,306
Receivables		
Special Assessment	0	887
Due from Other Governments		
State of Michigan	6,895	6,487
Due from Other Funds		
Major Street Fund	30,048	0
Prepaid Expenses	525	277
	<hr/>	<hr/>
TOTAL ASSETS	\$ 128,253	\$ 140,957
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 68	\$ 1,152
Due to Other Funds		
General Fund	0	4,000
Major Street Fund	0	2,564
Water Supply System	7,446	0
Equipment Pool Fund	0	1,214
Advances From Other Funds		
Water Supply System	33,636	65,328
	<hr/>	<hr/>
Total Liabilities	\$ 41,150	\$ 74,258
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved for		
Prepaid Expense	\$ 525	\$ 277
Unreserved		
Undesignated	86,578	66,422
	<hr/>	<hr/>
Total Fund Balance	\$ 87,103	\$ 66,699
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 128,253	\$ 140,957
	<hr/>	<hr/>

CITY OF EVART, MICHIGAN  
LOCAL STREET FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes			
Sidewalk Special Assessments	\$ 2,000	\$ 0	\$ 0
State Grants			
State Revenue Sharing - Act 51	36,589	40,571	38,698
Interest and Rents			
Interest	2,200	1,850	2,270
Other Revenue			
Refunds and Rebates	0	0	389
Total Revenues	<u>\$ 40,789</u>	<u>\$ 42,421</u>	<u>\$ 41,357</u>
<u>EXPENDITURES</u>			
Public Works			
Street Construction			
Wages	\$ 490	\$ 0	\$ 0
Equipment Rentals	250	75	0
	<u>\$ 740</u>	<u>\$ 75</u>	<u>\$ 0</u>
Routine Maintenance			
Wages	\$ 6,456	\$ 5,113	\$ 7,281
Operating Supplies	1,200	0	284
Repair and Maintenance	15,000	10,938	14,728
Equipment Rentals	13,000	11,294	13,981
	<u>\$ 35,656</u>	<u>\$ 27,345</u>	<u>\$ 36,274</u>
Winter Maintenance			
Wages	\$ 4,774	\$ 4,712	\$ 3,169
Operating Supplies	7,233	7,232	2,914
Equipment Rentals	12,250	12,203	8,184
	<u>\$ 24,257</u>	<u>\$ 24,147</u>	<u>\$ 14,267</u>
Sidewalks			
Wages	\$ 333	\$ 0	\$ 0
Operating Supplies	250	0	0
Repairs and Maintenance	7,750	0	0
Equipment Rentals	250	30	0
	<u>\$ 8,583</u>	<u>\$ 30</u>	<u>\$ 0</u>

CITY OF EVART, MICHIGAN

LOCAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Administration			
Wages	\$ 1,715	\$ 994	\$ 1,545
Medicare	204	162	177
Social Security	872	691	755
Health Insurance	5,703	4,362	4,564
Retirement	1,594	1,504	1,633
Other Fringe Benefits	100	65	83
Unemployment Compensation	242	52	50
Worker's Compensation	961	925	426
Operating Supplies	100	15	141
Professional Services	1,500	1,059	966
Insurance	100	97	83
Education and Training	100	46	0
Capital Outlay - Non Capitalized	150	0	0
	<u>\$ 13,341</u>	<u>\$ 9,972</u>	<u>\$ 10,423</u>
Drainage			
Wages	\$ 307	\$ 278	\$ 332
Operating Supplies	100	371	0
Professional Services	800	0	0
Equipment Rental	500	0	587
	<u>\$ 1,707</u>	<u>\$ 649</u>	<u>\$ 919</u>
Grass and Weed Control			
Operating Supplies	\$ 100	\$ 0	\$ 0
Traffic Signs			
Operating Supplies	\$ 1,500	\$ 132	\$ 836
Total Public Works	<u>\$ 85,884</u>	<u>\$ 62,350</u>	<u>\$ 62,719</u>
Debt Service			
Principal	\$ 31,692	\$ 0	\$ 0
Interest and Fiscal Charges	3,215	3,215	6,583
	<u>\$ 34,907</u>	<u>\$ 3,215</u>	<u>\$ 6,583</u>
Total Expenditures	<u>\$ 120,791</u>	<u>\$ 65,565</u>	<u>\$ 69,302</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (80,002)</u>	<u>\$ (23,144)</u>	<u>\$ (27,945)</u>

CITY OF EVART, MICHIGAN  
LOCAL STREET FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	\$ 45,900	\$ 43,548	\$ 76,429
Operating Transfers Out	0	0	(10,750)
Total Other Financing Sources (Uses)	<u>\$ 45,900</u>	<u>\$ 43,548</u>	<u>\$ 65,679</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ (34,102)	\$ 20,404	\$ 37,734
<u>FUND BALANCE</u> - Beginning of Year	<u>66,699</u>	<u>66,699</u>	<u>28,965</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 32,597</u>	<u>\$ 87,103</u>	<u>\$ 66,699</u>

CITY OF EVART, MICHIGAN  
WATER SUPPLY SYSTEM  
COMPARATIVE STATEMENT OF NET ASSETS

JUNE 30,

	<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
<u>CURRENT ASSETS</u>			
Cash		\$ 2,362,585	\$ 2,166,118
Receivables			
Accounts		89,355	71,392
Special Assessments		35,455	40,100
Estimated Uncollectable Accounts		(200)	(200)
Due from Other Funds			
Local Street Fund		7,446	0
Prepaid Expenses		3,456	828
Total Current Assets		<u>\$ 2,498,097</u>	<u>\$ 2,278,238</u>
<u>ADVANCE TO OTHER FUNDS</u>			
Local Street Fund		<u>\$ 33,636</u>	<u>\$ 65,328</u>
<u>CAPITAL ASSETS</u>			
Land		\$ 5,500	\$ 5,500
Building		32,960	32,960
Machinery and Equipment		94,076	91,093
Mains and Connections		2,922,700	2,881,377
Tower		1,198,586	1,198,586
Wells and Building Controls		940,496	882,200
Meters		77,438	77,438
		<u>\$ 5,271,756</u>	<u>\$ 5,169,154</u>
Less Accumulated Depreciation		1,681,783	1,565,031
Total Capital Assets, net		<u>\$ 3,589,973</u>	<u>\$ 3,604,123</u>
TOTAL ASSETS		<u>\$ 6,121,706</u>	<u>\$ 5,947,689</u>

CITY OF EVART, MICHIGAN  
WATER SUPPLY SYSTEM  
COMPARATIVE STATEMENT OF NET ASSETS

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 22,856	\$ 26,481
Customer Deposits Payable	1,741	1,461
Due to Other Funds		
General Fund	52	77
Equipment Pool Fund	0	1,622
	<hr/>	<hr/>
Total Current Liabilities	\$ 24,649	\$ 29,641
	<hr/>	<hr/>
<u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 3,589,973	\$ 3,604,123
Unrestricted	2,507,084	2,313,925
	<hr/>	<hr/>
TOTAL NET ASSETS	<u>\$ 6,097,057</u>	<u>\$ 5,918,048</u>



CITY OF EVART, MICHIGAN

WATER SUPPLY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>			
Charges for Services			
Sales	\$ 554,080	571,110	\$ 634,146
Water Tap-In Fees	3,300	4,700	1,350
Water Testing Fees	1,750	1,380	0
Taxes	5,911	2,800	3,010
Other Revenue			
Penalties on Delinquent Accounts	1,400	6,211	1,423
Reimbursements	0	16	1,369
Total Operating Revenues	<u>\$ 566,441</u>	<u>\$ 586,217</u>	<u>\$ 641,298</u>
<u>OPERATING EXPENSES</u>			
Public Works			
Administration and General			
Salaries	\$ 32,339	\$ 27,638	\$ 28,029
Wages	23,936	15,666	23,448
Medicare	1,684	1,449	1,598
Social Security	7,204	6,313	6,832
Health and Life Insurance	28,360	20,250	23,159
Retirement	11,000	10,763	10,736
Fringe Benefits	1,254	1,021	1,267
Unemployment Compensation	1,000	695	635
Worker's Compensation	1,179	1,179	701
Office Supplies	1,300	537	1,284
Operating Supplies	3,051	1,613	4,615
Postage	2,500	2,540	2,247
Professional Services	14,200	7,618	11,909
Membership and Dues	1,350	662	754
Communications	600	529	290
Transportation	3,000	931	3,073
Printing and Publishing	1,000	158	115
Insurance	3,370	3,361	2,770
Repair and Maintenance	500	363	738

CITY OF EVART, MICHIGAN

WATER SUPPLY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Education and Training	1,500	520	938
	<u>\$ 140,327</u>	<u>\$ 103,806</u>	<u>\$ 125,138</u>
Plant			
Salaries	\$ 13,817	11,233	\$ 16,808
Operating Supplies	41,023	21,886	26,845
Professional Services	37,342	6,690	947
Memberships and Dues	400	314	965
Communications	4,710	3,341	5,646
Transportation	150	0	118
Gas and Oil	1,000	397	610
Insurance	1,615	1,614	2,083
Utilities	70,000	73,333	67,645
Repair and Maintenance	15,842	3,316	13,681
Equipment Rental	1,854	1,854	1,854
Depreciation	122,330	116,752	121,345
	<u>\$ 310,083</u>	<u>\$ 240,730</u>	<u>\$ 258,547</u>
Collection and Distribution			
Wages	\$ 41,716	42,689	\$ 38,985
Operating Supplies	16,500	15,537	21,953
Professional Services	15,100	3,116	1,001
Repair and Maintenance	28,436	28,035	47,000
Equipment Rental	17,613	17,613	17,613
	<u>\$ 119,365</u>	<u>\$ 106,990</u>	<u>\$ 126,552</u>
Total Operating Expenses	<u>\$ 569,775</u>	<u>\$ 451,526</u>	<u>\$ 510,237</u>
Operating Income (Loss)	<u>\$ (3,334)</u>	<u>\$ 134,691</u>	<u>\$ 131,061</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Income	35,215	44,318	43,066
Change in Net Assets	<u>\$ 31,881</u>	<u>\$ 179,009</u>	<u>\$ 174,127</u>
<u>NET ASSETS</u> - Beginning of Year	<u>5,918,048</u>	<u>5,918,048</u>	<u>5,743,921</u>
<u>NET ASSETS</u> - End of Year	<u>\$ 5,949,929</u>	<u>\$ 6,097,057</u>	<u>\$ 5,918,048</u>

CITY OF EVART, MICHIGAN  
WATER SUPPLY SYSTEM  
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Cash Received from Customers and Other Revenues	\$ 565,733	\$ 729,993
Cash Payments to Suppliers for Goods and Services	(245,448)	(267,783)
Cash Payments to Employees for Services	(97,226)	(107,270)
	<u>          </u>	<u>          </u>
Net Cash Provided by Operating Activities	\$ 223,059	\$ 354,940
	<u>          </u>	<u>          </u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	\$ (102,602)	\$ (23,164)
	<u>          </u>	<u>          </u>
Cash Flows from Investing Activities		
Interest Received	\$ 44,318	\$ 43,066
Collections of Advances	31,692	37,051
	<u>          </u>	<u>          </u>
Net Cash Provided (Used) by Investing Activities	\$ 76,010	\$ 80,117
	<u>          </u>	<u>          </u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 196,467	\$ 411,893
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>2,166,118</u>	<u>1,754,225</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 2,362,585</u>	<u>\$ 2,166,118</u>

CITY OF EVART, MICHIGAN  
WATER SUPPLY SYSTEM  
COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>RECONCILIATION OF OPERATING INCOME TO</u>		
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	\$ 134,691	\$ 131,061
Adjustments to Reconcile Operating Income to		
Net Cash Provided (Used) by Operating Activities		
Depreciation	\$ 116,752	\$ 121,345
(Increase) Decrease in Current Assets		
Accounts Receivable	(17,963)	(5,751)
Speical Assessments Receivable	4,645	2,901
Accrued Interest Receivable	0	8,371
Due from Other Funds	(7,446)	83,149
Prepaid Expenses	(2,628)	(3)
Increase (Decrease) in Current Liabilities		
Accounts Payable	(3,625)	14,522
Due to Other Funds	(1,647)	(680)
Customer Deposit Payable	280	25
Total Adjustments	\$ 88,368	\$ 223,879
Net Cash Provided (Used) by Operating Activities	\$ 223,059	\$ 354,940

CITY OF EVART, MICHIGAN  
SEWAGE DISPOSAL SYSTEM  
COMPARATIVE STATEMENT OF NET ASSETS

JUNE 30,

	<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
<u>CURRENT ASSETS</u>			
Cash		\$ 571,868	\$ 412,556
Receivables			
Lakeside Sewer Construction		0	80,000
Accounts		69,977	65,646
Estimated Uncollectable Accounts		(200)	(200)
Due from Other Funds			
Major Street Fund		0	5,325
Inventory		1,154	1,154
Prepaid Expense		2,796	894
		<hr/>	<hr/>
Total Current Assets		\$ 645,595	\$ 565,375
<u>RESTRICTED ASSETS</u>			
Cash		\$ 350,544	\$ 344,449
<u>CAPITAL ASSETS</u>			
Land		\$ 458,091	\$ 458,091
Machinery and Equipment		293,644	293,644
Treatment System		2,387,281	2,387,281
Collection Lines		2,917,249	2,891,556
Construction in Progress		0	708
		<hr/>	<hr/>
Less Accumulated Depreciation		\$ 6,056,265	\$ 6,031,280
		2,048,033	1,922,710
		<hr/>	<hr/>
Total Capital Assets, net		\$ 4,008,232	\$ 4,108,570
<u>TOTAL ASSETS</u>			
		<hr/> <hr/>	<hr/> <hr/>
		\$ 5,004,371	\$ 5,018,394

CITY OF EVART, MICHIGAN  
SEWAGE DISPOSAL SYSTEM  
COMPARATIVE STATEMENT OF NET ASSETS

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 12,095	\$ 48,961
Due to Other Funds		
General Fund	53	72
Major Street Fund	8,231	0
Equipment Pool Fund	0	1,931
Total Current Liabilities	\$ 20,379	\$ 50,964
<u>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</u>		
Current Portion of Long-Term Debt		
Sewage System Bonds	40,000	40,000
<u>LONG-TERM LIABILITIES</u>		
Revenue Bonds Payable	775,000	815,000
Total Liabilities	\$ 835,379	\$ 905,964
<u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 3,193,232	\$ 3,253,570
Unrestricted	975,760	858,860
TOTAL NET ASSETS	\$ 4,168,992	\$ 4,112,430

CITY OF EVART, MICHIGAN

SEWAGE DISPOSAL SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>			
Charges for Services			
Sales	\$ 415,000	\$ 517,862	\$ 437,613
Tap In Fees	3,000	4,600	1,150
Reimbursements Revenue	0	109	0
Other Revenue			
Penalties on Delinquent Accounts	4,000	4,237	3,225
Total Operating Revenues	<u>\$ 422,000</u>	<u>\$ 526,808</u>	<u>\$ 441,988</u>
<u>OPERATING EXPENSES</u>			
Public Works			
Administration and General			
Salaries	\$ 24,701	\$ 24,175	\$ 22,333
Salaries and Wages	20,753	15,522	23,065
Medicare	1,545	1,388	1,442
Social Security	6,610	5,936	6,167
Health and Life Insurance	23,239	10,779	20,632
Retirement	17,405	17,534	16,143
Fringe Benefits	1,748	1,502	1,749
Unemployment Compensation	750	856	788
Worker's Compensation	1,450	1,443	932
Office Supplies	920	331	1,205
Operating Supplies	350	215	1,562
Postage	1,955	1,879	2,152
Professional Services	7,960	6,345	18,735
Membership and Dues	790	790	508
Communications	300	312	290
Transportation	200	198	270
Printing and Publishing	100	0	36
Insurance	2,000	657	1,949

CITY OF EVART, MICHIGAN

SEWAGE DISPOSAL SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Repair and Maintenance	750	229	618
Education and Training	500	385	330
	<u>\$ 114,026</u>	<u>\$ 90,476</u>	<u>\$ 120,906</u>
Treatment and Irrigation Facility			
Salaries	\$ 40,285	\$ 40,221	\$ 36,587
Salaries and Wages	7,044	7,015	8,932
Office Supplies	150	133	0
Operating Supplies	25,413	28,719	22,653
Professional Services	28,956	8,352	1,244
Membership and Dues	250	72	237
Communications	3,148	3,457	3,520
Transportation	0	0	115
Gas and Oil	184	184	714
Insurance	1,040	1,038	1,340
Utilities	78,694	77,852	81,589
Repair and Maintenance	19,650	28,898	30,172
Equipment Rental	4,635	4,635	4,635
Education and Training	150	146	0
Depreciation	122,330	125,323	125,726
	<u>\$ 331,929</u>	<u>\$ 326,045</u>	<u>\$ 317,464</u>
Collection System			
Wages	\$ 9,056	\$ 7,857	\$ 8,021
Operating Supplies	200	10	380
Professional Services	200	0	0
Repair and Maintenance	1,000	791	691
Equipment Rental	18,540	18,540	18,540
	<u>\$ 28,996</u>	<u>\$ 27,198</u>	<u>\$ 27,632</u>
Total Operating Expenses	<u>\$ 474,951</u>	<u>\$ 443,719</u>	<u>\$ 466,002</u>
Operating Income (Loss)	<u>\$ (52,951)</u>	<u>\$ 83,089</u>	<u>\$ (24,014)</u>



CITY OF EVART, MICHIGAN

SEWAGE DISPOSAL SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	2004		2003
	BUDGET	ACTUAL	ACTUAL
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Income	\$ 15,600	\$ 16,223	\$ 11,381
Interest and Fiscal Charges	(42,750)	(42,750)	(44,500)
Total Nonoperating Revenues (Expenses)	\$ (27,150)	\$ (26,527)	\$ (33,119)
Change in Net Assets	\$ (80,101)	\$ 56,562	\$ (57,133)
<u>NET ASSETS - Beginning of Year</u>	4,112,430	4,112,430	4,169,563
<u>NET ASSETS - End of Year</u>	<u>\$ 4,032,329</u>	<u>\$ 4,168,992</u>	<u>\$ 4,112,430</u>

CITY OF EVART, MICHIGAN  
SEWAGE DISPOSAL SYSTEM  
COMPARATIVE STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities		
Cash Received from Customers and Other Revenues	\$ 607,802	\$ 434,517
Cash Payments to Suppliers for Goods and Services	(256,093)	(206,586)
Cash Payments to Employees for Services	(94,790)	(98,938)
	<u>          </u>	<u>          </u>
Net Cash Provided by Operating Activities	\$ 256,919	\$ 128,993
	<u>          </u>	<u>          </u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of Capital Assets	\$ (24,985)	\$ (36,626)
Principal Paid on Bonds	(40,000)	(44,500)
Interest Paid on Bonds	(42,750)	(35,000)
	<u>          </u>	<u>          </u>
Net Cash Provided (Used) for Capital and Related Financing Activities	\$ (107,735)	\$ (116,126)
	<u>          </u>	<u>          </u>
Cash Flows from Investing Activities		
Interest Received	\$ 16,223	\$ 11,381
	<u>          </u>	<u>          </u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 165,407	\$ 24,248
	<u>          </u>	<u>          </u>
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>757,005</u>	<u>732,757</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 922,412</u>	<u>\$ 757,005</u>

CITY OF EVART, MICHIGAN  
SEWAGE DISPOSAL SYSTEM  
COMPARATIVE STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>RECONCILIATION OF OPERATING INCOME TO</u> <u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income (Loss)	\$ 83,089	\$ (24,014)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation	\$ 125,323	\$ 125,726
(Increase) Decrease in Current Assets		
Accounts Receivable	75,669	(6,215)
Accrued Interest Receivable	0	4,023
Due from Other Funds	5,325	(5,279)
Prepaid Expenses	(1,902)	84
Increase (Decrease) in Current Liabilities		
Accounts Payable	(36,866)	34,596
Due to Other Funds	6,281	72
Total Adjustments	\$ 173,830	\$ 153,007
Net Cash Provided (Used) by Operating Activities	<u>\$ 256,919</u>	<u>\$ 128,993</u>

CITY OF EVART  
EVART, MICHIGAN

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2004

	Special Revenue Funds					Debt Service Funds		Capital Project Funds		Permanent Fund	Total
	Park		1976	1983		General	Police			Cemetery	Non-Major
	Recreation	Cemetery	Housing	Housing	Community	Obligation	Facility	Police	Fire	Perpetual	Governmental
			Rehabilitation	Rehabilitation	Recreation	Series 1988	Debt Retirement	Facility	Vehicle	Care	Funds
<u>Assets</u>											
Cash	\$ 34,384	\$16,146	\$ 2,587	\$ 85,844	\$ 19,951	\$ 3	\$ 1	\$ 1	\$10,845	\$ 0	\$ 169,762
Mortgage Receivable											
(Net of Uncollectables)	0	0	17,914	4,448	0	0	0	0	0	0	22,362
Due from Other Funds	0	0	0	0	0	0	0	0	0	104	104
Prepaid Expense	199	59	0	0	500	0	0	0	0	0	758
Restricted Assets											
Cash	0	0	0	0	0	0	0	0	0	134,575	134,575
Total Assets	<u>\$ 34,583</u>	<u>\$16,205</u>	<u>\$ 20,501</u>	<u>\$ 90,292</u>	<u>\$ 20,451</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$10,845</u>	<u>\$ 134,679</u>	<u>\$ 327,561</u>
<u>Liabilities and Fund Balance</u>											
<u>Liabilities</u>											
Accounts Payable	\$ 1,405	\$ 216	\$ 0	\$ 0	\$ 1,046	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,667
Due to Other Funds	0	104	0	0	0	0	0	1	0	0	105
Deferred Revenue	0	0	17,914	4,477	0	0	0	0	0	0	22,391
Total Liabilities	<u>\$ 1,405</u>	<u>\$ 320</u>	<u>\$ 17,914</u>	<u>\$ 4,477</u>	<u>\$ 1,046</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,163</u>
<u>Fund Balance</u>											
Reserved for Prepaid Expenses	\$ 199	\$ 59	\$ 0	\$ 0	\$ 500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 758
Reserved for Debt Service	0	0	0	0	0	3	1	0	0	0	4
Reserved for Endowment	0	0	0	0	0	0	0	0	0	134,679	134,679
Designated for Skate Park	0	0	0	0	5,091	0	0	0	0	0	5,091
Designated for Equipment	0	0	0	0	9,111	0	0	0	0	0	9,111
Unreserved, Undesignated	32,979	15,826	2,587	85,815	4,703	0	0	0	10,845	0	152,755
Total Fund Balances	<u>\$ 33,178</u>	<u>\$15,885</u>	<u>\$ 2,587</u>	<u>\$ 85,815</u>	<u>\$ 19,405</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$10,845</u>	<u>\$ 134,679</u>	<u>\$ 302,398</u>
Total Liabilities											
and Fund Balance	<u>\$ 34,583</u>	<u>\$16,205</u>	<u>\$ 20,501</u>	<u>\$ 90,292</u>	<u>\$ 20,451</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$10,845</u>	<u>\$ 134,679</u>	<u>\$ 327,561</u>

CITY OF EVART  
EVART, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2004

	Special Revenue Funds					Debt Service Funds		Capital Project Funds		Permanent Fund	Total
	Park		1976	1983	Community	General	Police			Cemetery	Non-Major
	Recreation	Cemetery	Housing	Housing	Recreation	Obligation	Facility	Police	Fire	Perpetual	Governmental
			Rehabilitation	Rehabilitation		Series 1988	Debt	Facility	Vehicle	Care	Funds
							Retirement				
<u>REVENUES</u>											
Contributions from Local Units	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,550	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,550
Charges for Services	0	19,138	0	0	28,727	0	0	0	0	250	48,115
Interest and Rents	14,371	3,601	788	608	164	0	11,324	0	144	0	31,000
Other	370	0	0	0	5,090	0	0	0	0	0	5,460
Total Revenues	<u>\$ 14,741</u>	<u>\$ 22,739</u>	<u>\$ 788</u>	<u>\$ 608</u>	<u>\$ 35,531</u>	<u>\$ 0</u>	<u>\$ 11,324</u>	<u>\$ 0</u>	<u>\$ 144</u>	<u>\$ 250</u>	<u>\$ 86,125</u>
<u>EXPENDITURES</u>											
General Government	\$ 0	\$ 42,477	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 42,477
Recreation and Cultural	19,736	0	0	0	30,233	0	0	0	0	0	49,969
Community and											0
Economic Development	0	0	0	851	0	0	0	0	0	0	851
Debt Service											0
Principal	0	0	0	0	0	0	2,900	0	0	0	2,900
Interest and Fiscal Charges	0	26	0	0	0	0	8,424	0	0	0	8,450
Total Expenditures	<u>\$ 19,736</u>	<u>\$ 42,503</u>	<u>\$ 0</u>	<u>\$ 851</u>	<u>\$ 30,233</u>	<u>\$ 0</u>	<u>\$ 11,324</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 104,647</u>
Excess (Deficiency) of											
Revenues Over (Under)											
Expenditures	\$ (4,995)	\$(19,764)	\$ 788	\$ (243)	\$ 5,298	\$ 0	\$ 0	\$ 0	\$ 144	\$ 250	\$ (18,522)
<u>OTHER FINANCING SOURCES</u>											
Operating Transfers In	15,000	27,500	0	0	7,200	0	0	0	0	0	49,700
Net Change in Fund Balance	\$ 10,005	\$ 7,736	\$ 788	\$ (243)	\$ 12,498	\$ 0	\$ 0	\$ 0	\$ 144	\$ 250	\$ 31,178
<u>FUND BALANCE -</u>											
Beginning of Year	23,173	8,149	1,799	86,058	6,907	3	1	0	10,701	134,429	271,220
<u>FUND BALANCE -</u>											
End of Year	<u>\$ 33,178</u>	<u>\$ 15,885</u>	<u>\$ 2,587</u>	<u>\$ 85,815</u>	<u>\$ 19,405</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 0</u>	<u>\$10,845</u>	<u>\$ 134,679</u>	<u>\$ 302,398</u>

CITY OF EVART, MICHIGAN  
PARK RECREATION FUND  
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 34,384	\$ 26,467
Prepaid Expenses	199	71
	<hr/>	<hr/>
TOTAL ASSETS	\$ 34,583	\$ 26,538
	<hr/>	<hr/>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,405	\$ 1,240
Due to Other Funds		
General Fund	0	2,000
Equipment Pool Fund	0	125
	<hr/>	<hr/>
Total Liabilities	\$ 1,405	\$ 3,365
	<hr/>	<hr/>
<u>FUND BALANCE</u>		
Reserved for		
Prepaid Expense	\$ 199	\$ 71
Unreserved		
Undesignated	32,979	23,102
	<hr/>	<hr/>
Total Fund Balance	\$ 33,178	\$ 23,173
	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 34,583	\$ 26,538
	<hr/>	<hr/>

CITY OF EVART, MICHIGAN

PARK RECREATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Interest and Rents			
Interest	\$ 350	\$ 427	\$ 353
Rents	13,200	13,944	14,447
Other Revenue			
Miscellaneous	391	370	326
Total Revenues	<u>\$ 13,941</u>	<u>\$ 14,741</u>	<u>\$ 15,126</u>
<u>EXPENDITURES</u>			
Recreation and Culture			
Riverside Park			
Wages	\$ 5,124	\$ 4,804	\$ 4,673
Medicare	82	77	86
Social Security	353	330	366
Retirement	634	578	650
Unemployment Compensation	98	69	73
Worker's Compensation	300	284	162
Office Supplies	50	21	39
Operating Supplies	2,100	2,292	1,415
Professional Services	3,829	3,829	2,256
Licenses	49	39	37
Communications	100	114	81
Gas and Oil	200	0	220
Publishing and Printing	27	137	0
Insurance	180	167	170
Utilities	3,200	2,510	3,495
Repairs and Maintenance	3,757	278	1,113
Equipment Rental	1,127	1,120	1,000
Refunds and Rebates	10	10	0
Capital Outlay	3,000	0	2,605
	<u>\$ 24,220</u>	<u>\$ 16,659</u>	<u>\$ 18,441</u>

CITY OF EVART, MICHIGAN

PARK RECREATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Athletic Complex			
Operating Supplies	400	0	180
Education and Training	0	0	10
	<u>\$ 400</u>	<u>\$ 0</u>	<u>\$ 190</u>
Other Parks			
Wages	\$ 800	\$ 519	\$ 1,237
Operating Supplies	2,000	1,947	1,726
Utilities	135	111	84
Repairs and Maintenance	300	0	176
Equipment Rental	550	500	500
	<u>\$ 3,785</u>	<u>\$ 3,077</u>	<u>\$ 3,723</u>
Total Expenditures	<u>\$ 28,405</u>	<u>\$ 19,736</u>	<u>\$ 22,354</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (14,464)	\$ (4,995)	\$ (7,228)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	<u>15,000</u>	<u>15,000</u>	<u>13,000</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ 536	\$ 10,005	\$ 5,772
<u>FUND BALANCE</u> - Beginning of Year	<u>23,173</u>	<u>23,173</u>	<u>17,401</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 23,709</u>	<u>\$ 33,178</u>	<u>\$ 23,173</u>



CITY OF EVART, MICHIGAN  
CEMETERY FUND  
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 16,146	\$ 9,637
Prepaid Expense	59	22
 TOTAL ASSETS	 \$ 16,205	 \$ 9,659
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 216	\$ 229
Due to Other Funds		
Equipment Pool Fund	0	125
Cemetery Trust Fund	104	1,156
 Total Liabilities	 \$ 320	 \$ 1,510
 <u>FUND BALANCE</u>		
Reserved for		
Prepaid Expense	\$ 59	\$ 22
Unreserved	15,826	8,127
 Total Fund Balance	 \$ 15,885	 \$ 8,149
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 16,205	 \$ 9,659

CITY OF EVART, MICHIGAN

CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Charges for Services			
Cemetery Storage	\$ 50	\$ 100	\$ 350
Foundation Installation	2,300	2,940	2,484
Grave Opening/Closing	11,000	12,623	7,005
Sale of Cemetery Lots	3,700	3,475	2,785
Interest and Rents			
Interest	3,250	3,601	2,619
Total Revenues	<u>\$ 20,300</u>	<u>\$ 22,739</u>	<u>\$ 15,243</u>
<u>EXPENDITURES</u>			
General Government			
Cemetery			
Wages	\$ 2,469	\$ 884	\$ 1,323
Medicare	59	13	19
Social Security	250	55	80
Retirement	80	73	82
Worker's Compensation	95	88	53
Operating Supplies	805	866	1,785
Professional Services	37,897	37,424	38,270
Communications	50	32	27
Publishing and Printing	50	0	0
Insurance	85	85	77
Utilities	180	193	120
Repairs and Maintenance	585	569	0
Equipment Rental	2,071	2,195	1,500
	<u>\$ 44,676</u>	<u>\$ 42,477</u>	<u>\$ 43,336</u>
Debt Service			
Principal	\$ 1,156	\$ 0	\$ 0
Interest and Fiscal Charges	27	26	210
	<u>\$ 1,183</u>	<u>\$ 26</u>	<u>\$ 210</u>
Total Expenditures	<u>\$ 45,859</u>	<u>\$ 42,503</u>	<u>\$ 43,546</u>

CITY OF EVART, MICHIGAN

CEMETERY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (25,559)	\$ (19,764)	\$ (28,303)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	<u>27,500</u>	<u>27,500</u>	<u>34,000</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	\$ 1,941	\$ 7,736	\$ 5,697
<u>FUND BALANCE</u> - Beginning of Year	<u>8,149</u>	<u>8,149</u>	<u>2,452</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 10,090</u>	<u>\$ 15,885</u>	<u>\$ 8,149</u>

CITY OF EVART, MICHIGAN

1976 HOUSING REHABILITATION FUND  
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 2,587	\$ 1,799
Receivables		
Mortgages	19,914	28,662
Estimated Uncollectible Loans	(2,000)	(2,000)
TOTAL ASSETS	<u>\$ 20,501</u>	<u>\$ 28,461</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred Revenue	\$ 17,914	\$ 26,662
<u>FUND BALANCE</u>		
Unreserved		
Undesignated	<u>2,587</u>	<u>1,799</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 20,501</u>	<u>\$ 28,461</u>

CITY OF EVART, MICHIGAN

1976 HOUSING REHABILITATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Interest and Rents			
Interest	\$ 26	\$ 788	\$ 24
<u>EXPENDITURES</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 26	\$ 788	\$ 24
<u>FUND BALANCE</u> - Beginning of Year	<u>1,799</u>	<u>1,799</u>	<u>1,775</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 1,825</u>	<u>\$ 2,587</u>	<u>\$ 1,799</u>

CITY OF EVART, MICHIGAN

1983 HOUSING REHABILITATION FUND  
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 85,844	\$ 86,058
Receivables		
Mortgages	5,448	5,749
Estimated Uncollectible Loans	(1,000)	(1,000)
TOTAL ASSETS	<u>\$ 90,292</u>	<u>\$ 90,807</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred Revenue	\$ 4,477	\$ 4,749
<u>FUND BALANCE</u>		
Unreserved		
Undesignated	85,815	86,058
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 90,292</u>	<u>\$ 90,807</u>

CITY OF EVART, MICHIGAN

1983 HOUSING REHABILITATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Interest and Rents			
Interest	\$ 1,200	\$ 608	\$ 1,196
Other			
MSHDA Loan Repayments	0	0	1
Total Revenues	\$ 1,200	\$ 608	\$ 1,197
<u>EXPENDITURES</u>			
Economic Development and Assistance			
Redevelopment and Housing			
Housing Rehabilitation			
Professional Services	1,000	851	850
Excess (Deficiency) of Revenues			
Over Expenditures	\$ 200	\$ (243)	\$ 347
<u>FUND BALANCE - Beginning of Year</u>	86,058	86,058	85,711
<u>FUND BALANCE - End of Year</u>	<u>\$ 86,258</u>	<u>\$ 85,815</u>	<u>\$ 86,058</u>

CITY OF EVART, MICHIGAN

COMMUNITY RECREATION FUND  
COMPARATIVE BALANCE SHEET

JUNE 30,

	2004	2003
<u>ASSETS</u>		
Cash	\$ 19,951	\$ 9,383
Prepaid Expenses	500	71
TOTAL ASSETS	<u>\$ 20,451</u>	<u>\$ 9,454</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,046	\$ 1,497
Due to Other Funds		
General Fund	0	1,000
Equipment Pool Fund	0	50
Total Liabilities	<u>\$ 1,046</u>	<u>\$ 2,547</u>
<u>FUND BALANCE</u>		
Reserved for		
Prepaid Expense	\$ 500	\$ 71
Unreserved		
Designated for Skate Park	5,091	0
Designated for Little League Equipment	9,111	0
Undesignated	4,703	6,836
Total Fund Balance	<u>\$ 19,405</u>	<u>\$ 6,907</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 20,451</u>	<u>\$ 9,454</u>



CITY OF EVART, MICHIGAN

COMMUNITY RECREATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Contributions from Local Units			
Evert Township	\$ 0	\$ 500	\$ 0
Hartwick Township	0	0	200
Orient Township	0	200	200
Charges for Services			
Registration Fees	20,300	15,416	21,189
Promotional Sales	1,260	13,311	1,200
Interest and Rents			
Interest	345	164	138
Rents	55	0	70
Other Revenue			
Reimbursements Revenue	10	0	500
Evert Community Chest	0	850	850
Contributions and Donations from Private Sources	2,227	5,090	500
Total Revenues	\$ 24,197	\$ 35,531	\$ 24,847
<u>EXPENDITURES</u>			
Recreation and Culture			
Community Recreation			
Wages	\$ 15,181	\$ 14,739	\$ 14,739
Medicare	217	214	214
Social Security	927	914	914
Unemployment Compensation	273	265	258
Worker's Compensation	300	284	162
Operating Supplies	1,194	1,190	501
Awards	1,080	693	1,272
Equipment Expense	2,697	1,972	3,574
Professional Services	8,302	8,292	6,398
Communications	10	0	0
Gas and Oil	0	0	8

CITY OF EVART, MICHIGAN

COMMUNITY RECREATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Publishing and Printing	28	438	0
Repairs and Maintenance	332	332	1,524
Equipment Rental	695	885	600
Refunds and Rebates	15	15	0
Total Expenditures	<u>\$ 31,251</u>	<u>\$ 30,233</u>	<u>\$ 30,164</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (7,054)</u>	<u>\$ 5,298</u>	<u>\$ (5,317)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	<u>7,200</u>	<u>7,200</u>	<u>7,200</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	<u>\$ 146</u>	<u>\$ 12,498</u>	<u>\$ 1,883</u>
<u>FUND BALANCE - Beginning of Year</u>	<u>6,907</u>	<u>6,907</u>	<u>5,024</u>
<u>FUND BALANCE - End of Year</u>	<u>\$ 7,053</u>	<u>\$ 19,405</u>	<u>\$ 6,907</u>

CITY OF EVART, MICHIGAN  
GENERAL OBLIGATION SERIES 1988 FUND  
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	<u>\$ 3</u>	<u>\$ 3</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Reserved for Debt Service	<u>3</u>	<u>3</u>
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	<u>\$ 3</u>	<u>\$ 3</u>

CITY OF EVART, MICHIGAN

GENERAL OBLIGATION SERIES 1988 FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>	\$ 0	\$ 0	\$ 0
<u>EXPENDITURES</u>			
Debt Service			
Principal	\$ 0	\$ 0	\$ 15,000
Interest and Fiscal Charges	0	0	1,125
Total Expenditures	\$ 0	\$ 0	\$ 16,125
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ (16,125)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	0	0	16,125
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE - Beginning of Year</u>	3	3	3
<u>FUND BALANCE - End of Year</u>	\$ 3	\$ 3	\$ 3

CITY OF EVART, MICHIGAN  
POLICE FACILITY DEBT RETIREMENT FUND  
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	<u>\$ 1</u>	<u>\$ 1</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>FUND BALANCE</u>		
Reserved for Debt Service	<u>1</u>	<u>1</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1</u>	<u>\$ 1</u>

CITY OF EVART, MICHIGAN

POLICE FACILITY DEBT RETIREMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACUTAL</u>
<u>REVENUES</u>			
Other			
Interest and Rents	\$ 11,324	\$ 11,324	\$ 11,361
<u>EXPENDITURES</u>			
Debt Service			
Principal	\$ 2,900	\$ 2,900	\$ 2,800
Interest and Fiscal Charges	8,424	8,424	8,561
Total Expenditures	\$ 11,324	\$ 11,324	\$ 11,361
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ 0
<u>FUND BALANCE</u> - Beginning of Year	1	1	1
<u>FUND BALANCE</u> - End of Year	\$ 1	\$ 1	\$ 1

CITY OF EVART, MICHIGAN

CAPITAL PROJECTS - BUILDING AUTHORITY - POLICE FACILITY  
COMPARATIVE BALANCE SHEET

YEAR ENDED JUNE 30, 2004

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	<u>\$ 1</u>	<u>\$ 0</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to General Fund	\$ 1	\$ 0
<u>FUND BALANCE</u>		
Unreserved		
Undesignated	<u>0</u>	<u>0</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1</u>	<u>\$ 0</u>

CITY OF EVART, MICHIGAN

CAPITAL PROJECTS - BUILDING AUTHORITY - POLICE FACILITY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>	<u>2003</u>
<u>REVENUES</u>	\$ 0	\$ 0
<u>EXPENDITURES</u>		
Police Facility Building Project		
Administrative and Legal Fees	<u>0</u>	<u>1</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ (1)
<u>FUND BALANCE</u> - Beginning of Year	<u>0</u>	<u>1</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 0</u>



CITY OF EVART, MICHIGAN

CAPITAL PROJECTS - FIRE VEHICLE FUND  
COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	<u>\$ 10,845</u>	<u>\$ 10,701</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved		
Undesignated	<u>10,845</u>	<u>10,701</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 10,845</u>	<u>\$ 10,701</u>

CITY OF EVART, MICHIGAN

CAPITAL PROJECTS - FIRE VEHICLE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Interest and Rents			
Interest	\$ 150	\$ 144	\$ 184
<u>EXPENDITURES</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 150	\$ 144	\$ 184
<u>FUND BALANCE</u> - Beginning of Year	<u>10,701</u>	<u>10,701</u>	<u>10,517</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 10,851</u>	<u>\$ 10,845</u>	<u>\$ 10,701</u>

CITY OF EVART, MICHIGAN

PERMANENT FUND  
CEMETERY PERPETUAL CARE FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	\$ 134,575	\$ 133,273
Due to Other Funds	104	1,156
Total Assets	\$ 134,679	\$ 134,429
<u>LIABILITIES</u>	<u>0</u>	<u>0</u>
Net Assets	<u>\$ 134,679</u>	<u>\$ 134,429</u>

CITY OF EVART, MICHIGAN

PERMANENT FUND  
CEMETERY PERPETUAL CARE FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>REVENUES</u>		
Charges for Services		
Perpetual Care	\$ 250	\$ 351
<u>EXPENSES</u>	<u>0</u>	<u>0</u>
Net Income	\$ 250	\$ 351
<u>FUND BALANCE</u> - Beginning of Year	<u>134,429</u>	<u>134,078</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 134,679</u>	<u>\$ 134,429</u>

CITY OF EVART, MICHIGAN  
EQUIPMENT POOL FUND  
COMPARATIVE STATEMENT OF NET ASSETS

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 87,916	\$ 110,082
Due from Other Funds		
General Fund	0	3,032
Major Street Fund	0	465
Local Street Fund	0	1,214
Community Recreation Fund	0	50
Park Recreation Fund	0	125
Cemetery Fund	0	125
Sewer Fund	0	1,931
Water Fund	0	1,622
Prepaid Expense	1,313	215
Total Current Assets	<u>\$ 89,229</u>	<u>\$ 118,861</u>
<u>CAPITAL ASSETS</u>		
Machinery and Equipment	\$ 635,819	\$ 678,357
Less Accumulated Depreciation	<u>(364,211)</u>	<u>(403,415)</u>
Net Capital Assets	<u>\$ 271,608</u>	<u>\$ 274,942</u>
TOTAL ASSETS	<u><u>\$ 360,837</u></u>	<u><u>\$ 393,803</u></u>

CITY OF EVART, MICHIGAN  
EQUIPMENT POOL FUND  
COMPARATIVE STATEMENT OF NET ASSETS

JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 5,508	\$ 6,040
Current Portion of Long-Term Liabilities		
Equipment Contracts	<u>19,435</u>	<u>18,099</u>
Total Current Liabilities	<u>\$ 24,943</u>	<u>\$ 24,139</u>
<u>LONG-TERM LIABILITIES</u>		
Dump Truck Contract	\$ 20,671	\$ 35,908
Mower - Broom Contract	0	4,198
Total Long-Term Liabilities	<u>\$ 20,671</u>	<u>\$ 40,106</u>
Total Liabilities	<u>\$ 45,614</u>	<u>\$ 64,245</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 231,502	\$ 216,737
Unrestricted	<u>83,721</u>	<u>112,821</u>
TOTAL NET ASSETS	<u>\$ 315,223</u>	<u>\$ 329,558</u>

CITY OF EVART, MICHIGAN

EQUIPMENT POOL FUND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OPERATING REVENUES</u>			
Equipment Rental			
General Fund	\$ 36,880	\$ 36,380	\$ 36,380
Major Street Fund	27,950	25,912	20,156
Local Street Fund	24,000	23,973	22,752
Community Recreation Fund	600	600	600
Park Recreation Fund	1,500	1,500	1,500
Cemetery Fund	1,500	1,500	1,500
Sewage Disposal System	23,175	23,175	23,175
Water Supply System	19,467	19,467	19,467
Total Operating Revenues	\$ 135,072	\$ 132,507	\$ 125,530
<u>OPERATING EXPENSES</u>			
Equipment Pool Activities			
Salaries and Wages	\$ 17,796	\$ 17,505	\$ 21,408
Medicare	263	254	310
Social Security	1,110	1,085	1,324
Health Insurance	6,670	6,670	6,979
Retirement	3,991	4,071	4,519
Other Fringe Benefits	254	253	328
Unemployment Compensation	186	191	199
Worker's Compensation	616	615	369
Operating Supplies	5,664	6,150	8,352
Postage	6	5	0
Professional Services	1,801	1,801	1,843
Gas and Oil	14,200	14,244	11,486
Printing and Publishing	0	0	69
Insurance	11,100	11,100	11,001
Utilities	100	199	191
Repair and Maintenance	32,571	36,719	16,851
Building Rent Expense	1,699	1,699	1,704

CITY OF EVART, MICHIGAN

EQUIPMENT POOL FUND  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Equipment Lease Expense	0	0	170
Education and Training	100	0	0
Depreciation	54,471	42,853	43,395
Total Operating Expenses	<u>\$ 152,598</u>	<u>\$ 145,414</u>	<u>\$ 130,498</u>
Operating Income (Loss)	<u>\$ (17,526)</u>	<u>\$ (12,907)</u>	<u>\$ (4,968)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Income	\$ 2,000	\$ 1,208	\$ 1,538
Sale of Equipment	1,000	1,100	1,955
Interest and Fiscal Charges	(3,736)	(3,736)	(5,367)
Total Nonoperating Revenues (Expenses)	<u>\$ (736)</u>	<u>\$ (1,428)</u>	<u>\$ (1,874)</u>
Change in Net Assets	<u>\$ (18,262)</u>	<u>\$ (14,335)</u>	<u>\$ (6,842)</u>
<u>NET ASSETS</u> - Beginning of Year	<u>329,558</u>	<u>329,558</u>	<u>336,400</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 311,296</u></u>	<u><u>\$ 315,223</u></u>	<u><u>\$ 329,558</u></u>



CITY OF EVART, MICHIGAN  
EQUIPMENT POOL FUND  
COMPARATIVE STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Operating Transactions with Other Funds	\$ 141,071	\$ 158,554
Cash Payments to Suppliers for Goods and Services	(86,686)	(61,298)
Cash Payments to Employees for Services	(17,505)	\$ (21,408)
	<u>\$ 36,880</u>	<u>\$ 75,848</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	\$ (39,519)	\$ (52,890)
Interest Paid on Equipment Contract	(3,736)	(5,367)
Principal Paid on Equipment Contract	(18,099)	(29,863)
Proceeds from Sale of Equipment	1,100	1,955
	<u>\$ (60,254)</u>	<u>\$ (86,165)</u>
Cash Flows from Investing Activities:		
Interest on Investments	\$ 1,208	\$ 1,538
	<u>\$ (22,166)</u>	<u>\$ (8,779)</u>
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	<u>110,082</u>	<u>118,861</u>
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	<u>\$ 87,916</u>	<u>\$ 110,082</u>

CITY OF EVART, MICHIGAN  
EQUIPMENT POOL FUND  
COMPARATIVE STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH</u> <u>PROVIDED BY OPERATING ACTIVITIES</u>		
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ (12,907)	\$ (4,968)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation	\$ 42,853	\$ 43,395
(Increase) Decrease in Current Assets		
Accrued Interest Receivable	0	209
Due from Other Funds	8,564	32,815
Prepaid Expense	(1,098)	(37)
Increase (Decrease) in Current Liabilities		
Accounts Payable	(532)	4,434
Total Adjustments	\$ 49,787	\$ 80,816
Net Cash Provided (Used) by Operating Activities	<u>\$ 36,880</u>	<u>\$ 75,848</u>

CITY OF EVART, MICHIGAN

FIDUCIARY FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2004

	EXTERNAL AGENCY FUNDS				INTERNAL AGENCY FUNDS			
	AGENCY	SUMMER TAX	WINTER TAX	TOTALS	AFLAC ACCOUNTS	IMPREST PAYROLL	VENDOR ACCOUNT	TOTALS
<u>ASSETS</u>								
Cash	\$ 134,034	\$ 20	\$ 31	\$ 134,085	\$ 1,189	\$ 528	\$ 28	\$ 1,745
<u>LIABILITIES AND FUND BALANCE</u>								
<u>LIABILITIES</u>								
Accounts Payable	\$ 130,060	\$ 10	\$ 4	\$ 130,074	\$ 1,189	\$ 528	\$ 28	\$ 1,745
Due to Other Governmental Units	3,974	10	27	4,011	0	0	0	0
Total Liabilities	\$ 134,034	\$ 20	\$ 31	\$ 134,085	\$ 1,189	\$ 528	\$ 28	\$ 1,745
<u>FUND BALANCE</u>	0	0	0	0	0	0	0	0
TOTAL LIABILITIES AND FUND BALANCE	\$ 134,034	\$ 20	\$ 31	\$ 134,085	\$ 1,189	\$ 528	\$ 28	\$ 1,745

EVART AREA JOINT FIRE DEPARTMENT FUND  
A COMPONENT UNIT OF THE CITY OF EVART, MICHIGAN

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Cash	<u>\$ 93,744</u>	<u>\$ 122,348</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	<u>\$ 550</u>	<u>\$ 804</u>
<u>FUND BALANCE</u>		
Unreserved		
Designated for Equipment Purchases	\$ 64,761	\$ 64,761
Undesignated	<u>28,433</u>	<u>56,783</u>
Total Fund Balance	<u>\$ 93,194</u>	<u>\$ 121,544</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 93,744</u>	<u>\$ 122,348</u>

EVART AREA JOINT FIRE DEPARTMENT FUND  
A COMPONENT UNIT OF THE CITY OF EVART, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004  
WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Contributions from Local Units			
Evert Township	\$ 23,388	\$ 23,388	\$ 20,865
Orient Township	15,408	15,408	13,009
Osceola Township	13,246	13,246	13,770
Sylvan Township	14,027	14,027	13,475
Charge for Services			
Fire Runs	0	6,800	2,800
Interest and Rents			
Interest	0	1,608	1,897
Rents	0	400	275
Other Revenue			
Reimbursements	0	910	1,906
Miscellaneous	0	1,379	248
Intergovernmental Revenue	29,159	31,559	36,511
Total Revenues	<u>\$ 95,228</u>	<u>\$ 108,725</u>	<u>\$ 104,756</u>
<u>EXPENDITURES</u>			
Public Safety			
Fire Protection			
Wages	\$ 3,533	\$ 3,832	\$ 2,563
Medicare	75	56	37
Social Security	225	238	159
Michigan Unemployment	1,000	742	747
Office Supplies	2,450	1,449	630
Operating Supplies	0	9,767	3,071
OSHA Inspection Fees	500	0	0
Professional Services	695	1,545	670
Contractual Services	7,900	7,900	5,200
Medical Expense	500	483	937
Travel Expense	200	200	80
Truck Fuel	4,000	1,404	1,752

EVART AREA JOINT FIRE DEPARTMENT FUND  
A COMPONENT UNIT OF THE CITY OF EVART, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2004

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED JUNE 30, 2003

	<u>2004</u>		<u>2003</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Truck Maintenance	23,423	23,363	5,730
Insurance	18,210	18,625	16,707
Utilities	7,500	6,490	6,592
Repair and Maintenance	4,152	8,920	8,078
Education and Training	4,580	2,844	3,315
Pump Certification	1,372	1,372	904
Capital Outlay	60,889	47,845	8,494
Total Expenditures	<u>\$ 141,204</u>	<u>\$ 137,075</u>	<u>\$ 65,666</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (45,976)</u>	<u>\$ (28,350)</u>	<u>\$ 39,090</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>121,544</u>	<u>121,544</u>	<u>82,454</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 75,568</u>	<u>\$ 93,194</u>	<u>\$ 121,544</u>

CITY OF EVART, MICHIGAN

1988 SEWAGE DISPOSAL SYSTEM REVENUE BONDS

JUNE 30, 2004

<u>TITLE OF ISSUE</u>	FmHA 1988 Sewage Disposal System Bonds Payable
<u>PURPOSE</u>	Construction of Sanitary Sewage Disposal System including treatment, collection and lift station.
<u>DATE OF ISSUE</u>	July 1, 1988
<u>AMOUNT OF ISSUE</u>	\$ 1,930,000
<u>AMOUNT REDEEMED</u>	
Prior to Current Period	\$ 1,075,000
During Current Period	<u>40,000</u>
	<u>1,115,000</u>
<u>BALANCE OUTSTANDING</u> - June 30, 2004	<u>\$ 815,000</u>

SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
January 1, 2005		\$ 20,375	\$ 20,375	
July 1, 2005	5.00%	60,375	20,375	\$ 40,000
January 1, 2006		19,375	19,375	
July 1, 2006	5.00%	64,375	19,375	45,000
January 1, 2007		18,250	18,250	
July 1, 2007	5.00%	63,250	18,250	45,000
January 1, 2008		17,125	17,125	
July 1, 2008	5.00%	67,125	17,125	50,000
January 1, 2009		15,875	15,875	
July 1, 2009	5.00%	65,875	15,875	50,000
January 1, 2010		14,625	14,625	
July 1, 2010	5.00%	69,625	14,625	55,000
January 1, 2011		13,250	13,250	
July 1, 2011	5.00%	68,250	13,250	55,000
January 1, 2012		11,875	11,875	
July 1, 2012	5.00%	71,875	11,875	60,000
January 1, 2013		10,375	10,375	
July 1, 2013	5.00%	70,375	10,375	60,000

CITY OF EVART, MICHIGAN

1988 SEWAGE DISPOSAL SYSTEM REVENUE BONDS

JUNE 30, 2004

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
January 1, 2014		8,875	8,875	
July 1, 2014	5.00%	73,875	8,875	65,000
January 1, 2015		7,250	7,250	
July 1, 2015	5.00%	72,250	7,250	65,000
January 1, 2016		5,625	5,625	
July 1, 2016	5.00%	75,625	5,625	70,000
January 1, 2017		3,875	3,875	
July 1, 2017	5.00%	78,875	3,875	75,000
January 1, 2018		2,000	2,000	
July 1, 2018	5.00%	82,000	2,000	80,000
		<u>\$ 1,152,500</u>	<u>\$ 337,500</u>	<u>\$ 815,000</u>

PRIOR REDEMPTION

Bonds maturing in the years 2000 through 2007 are subject to scheduled call provisions.



CITY OF EVART, MICHIGAN

POLICE FACILITY - BUILDING AUTHORITY SERIES 2001 BONDS

JUNE 30, 2004

<u>TITLE OF ISSUE</u>	Building Authority Bonds, Series 2001		
<u>PURPOSE</u>	Construction of new Police facility.		
<u>DATE OF ISSUE</u>	September 6, 2001		
<u>INTEREST RATE</u>	4.875%		
<u>INTEREST PAYABLE</u>	May 1 and November 1		
<u>AMOUNT OF ISSUE</u>		\$	178,300
<u>AMOUNT REDEEMED</u>			
Prior to Current Period		\$	5,500
During Current Period			<u>2,900</u>
			<u>8,400</u>
<u>BALANCE OUTSTANDING - June 30, 2004</u>		\$	<u>169,900</u>

SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2004		\$ 4,141	\$ 4,141	
May 1, 2005	4.875%	7,241	4,141	\$ 3,100
November 1, 2005		4,066	4,066	
May 1, 2006	4.875%	7,366	4,066	3,300
November 1, 2006		3,985	3,985	
May 1, 2007	4.875%	7,385	3,985	3,400
November 1, 2007		3,902	3,902	
May 1, 2008	4.875%	7,502	3,902	3,600
November 1, 2008		3,815	3,815	
May 1, 2009	4.875%	7,615	3,815	3,800
November 1, 2009		3,722	3,722	
May 1, 2010	4.875%	7,722	3,722	4,000
November 1, 2010		3,625	3,625	
May 1, 2011	4.875%	7,825	3,625	4,200
November 1, 2011		3,522	3,522	

CITY OF EVART, MICHIGAN

POLICE FACILITY - BUILDING AUTHORITY SERIES 2001 BONDS

JUNE 30, 2004

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 1, 2012	4.875%	7,922	3,522	4,400
November 1, 2012		3,415	3,415	
May 1, 2013	4.875%	8,015	3,415	4,600
November 1, 2013		3,303	3,303	
May 1, 2014	4.875%	8,103	3,303	4,800
November 1, 2014		3,186	3,186	
May 1, 2015	4.875%	8,286	3,186	5,100
November 1, 2015		3,061	3,061	
May 1, 2016	4.875%	8,361	3,061	5,300
November 1, 2016		2,932	2,932	
May 1, 2017	4.875%	8,532	2,932	5,600
November 1, 2017		2,796	2,796	
May 1, 2018	4.875%	8,696	2,796	5,900
November 1, 2018		2,652	2,652	
May 1, 2019	4.875%	8,852	2,652	6,200
November 1, 2019		2,501	2,501	
May 1, 2020	4.875%	9,001	2,501	6,500
November 1, 2020		2,342	2,342	
May 1, 2021	4.875%	9,142	2,342	6,800
November 1, 2021		2,177	2,177	
May 1, 2022	4.875%	9,277	2,177	7,100
November 1, 2022		2,004	2,004	
May 1, 2023	4.875%	9,504	2,004	7,500
November 1, 2023		1,821	1,821	
May 1, 2024	4.875%	9,721	1,821	7,900
November 1, 2024		1,628	1,628	
May 1, 2025	4.875%	9,828	1,628	8,200
November 1, 2025		1,428	1,428	
May 1, 2026	4.875%	10,028	1,428	8,600
November 1, 2026		1,219	1,219	
May 1, 2027	4.875%	10,219	1,219	9,000
November 1, 2027		999	999	
May 1, 2028	4.875%	10,499	999	9,500
November 1, 2028		768	768	
May 1, 2029	4.875%	10,768	768	10,000

CITY OF EVART, MICHIGAN

POLICE FACILITY - BUILDING AUTHORITY SERIES 2001 BONDS

JUNE 30, 2004

<u>DUE DATES</u>	<u>RATE</u>	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2029		524	524	
May 1, 2030	4.875%	11,024	524	10,500
November 1, 2030		268	268	
May 1, 2031	4.875%	11,268	268	11,000
TOTALS		\$ 309,504	\$ 139,604	\$ 169,900

PRIOR REDEMPTION

Bonds will be subject to redemption prior to maturity at the option of the Authority, in any order, in whole or in part, in integral multiples of \$100, on any date, at par, plus accrued interest to the redemption date.

134 WEST HARRIS STREET  
CADILLAC, MICHIGAN 49601  
231-775-9789  
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

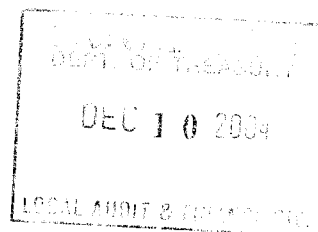
JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

# *Baird, Cotter and Bishop, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS

September 6, 2004

City of Ewart  
200 South Main Street  
Ewart, Michigan



Dear Mayor, Council Members, City Manager and Staff:

We have completed our audit of the financial statements of the City of Ewart, Michigan, and are communicating to you our findings and recommendations for the year ended June 30, 2004.

## Headlee Rollback - Property Tax Levy

In 2003-2004 the City levied 14.5539 mills due to the Headlee rollback. An increase to the statutory, 15.0000 mills, would produce an additional \$19,700 in tax revenue.

We recommend the City contact their attorney to see what the proper procedures are to waive the Headlee Amendment rollback (Article 9, Section 31 of the Michigan Constitution).

## Tax Refunds

The City was ordered by the Michigan Tax Tribunal to refund over assessed tax bills. These were changes requested by specific taxpayers. The City paid the amounts requested. The problem is the property was within the DDA or LDFA boundaries, thus the refunds should have been made by the DDA or the LDFA. This scenario occurred more than once during the year and amounts to approximately \$8,000. These funds need to be refunded by the DDA or LDFA to the City. We have identified which refunds were in error and have reviewed these with the City Treasurer, she should pursue refunds from the proper component unit.

## Condition of Accounting Records

The new Treasurer, Pamela Wayne, has done a very nice job in getting up to speed with the City's accounting responsibilities. There are many facets of the job to master and her progress has been admirable.

### Taxes Collected and Proper Distribution

The City has added new tax software to aid in the tax collection process, and needs to have the cooperation of all individuals who are in the chain of command in providing tax information so the treasurer can make the proper determinations and distributions of tax. The tax distribution situation in Ewart is extremely complicated. Since Proposal A was put in place the determination of captured school taxes and the proper distribution has taken extra efforts. As a result, an overpayment of tax was made to the LDFA and the DDA. The amount overpaid is approximately \$133,000 and involves most units of government the City collects taxes for. The City Treasurer is currently trying to collect the amounts from the LDFA and DDA, so she can pay them to the units which were shorted. We would trust the two component units would return the overpayments to the City Treasurer. The largest shortage was to the Ewart Public Schools in the amount of \$78,790.

### Budgetary Accounting

The legal budget for each fund was found to be in good order. The timing of amendments and the budget monitoring by staff and management were in adherence with the State of Michigan budget guidelines. We believe the treasurer and manager did an excellent job in budgeting for the year.

### Exclusion of LDFA and DDA Financial Statement Information

The audited financial statements of the City of Ewart do not include the financial data of the Local Development Finance Authority or the Downtown Development Authority. The audit for these component units of the City of Ewart has not been completed as of the date of this letter. Therefore, through consultation with the City Manager, it was decided that the inclusion of the financial data of the LDFA and DDA would cause an unnecessary delay in the issuance of the audited financial statements of the City of Ewart so these component units have not been included in the annual audit of the City of Ewart.

We recommend the City contact its component units and request a timely coordination of the annual audits so that the inclusion of the necessary information can be reported with the primary government's report. The information is not required to be consolidated by the State of Michigan. However, generally accepted accounting principles do require the data. The City declined to wait for the issuance of the component unit reports. We recommend the City Council and City Manager review the component unit audit reports and management letter for issues which may affect the City when those documents are available.

### New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued Statement 34 that provides for changes in reporting requirements for city financial statements. For the City of Ewart these changes were implemented in the June 30, 2004 financial audit.

Some of the more significant changes required by GASB 34 are as follows:

- a) Management's discussion and analysis is a new section in the financial report. This includes the administration's narrative overview of the information contained in the financial statements.
- b) Several new types of financial statements are now included that reports financial information on a City wide basis and incorporates capital assets, a provision for depreciation on those assets as well as long-term liabilities of the City.

We commend the City for their diligent efforts and assistance necessary to implement these rather radical changes as required by this new reporting pronouncement.

#### Reportable Condition of Internal Controls

In planning and performing our audit of the financial statements of the City of Evert for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement.

The relatively small number of people involved in the accounting functions of the City make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the City Council must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is not a material weakness.

The foregoing is a communication which is required by Statement on Auditing Standards Number 60. However, we realize that it might not be feasible for the City Council to establish a larger accounting staff in order to implement additional segregation of duties.

Evart Area Joint Fire Department

The City is a party to the joint venture of the Evart Fire Department. For the last several years the department has been audited along with the City every year. This practice has come under question and it is recommended that the department be audited when its headquarters unit Orient Township is audited. The determination of the headquarters unit is determined by "who is keeping the accounting records". The records have been kept by Pauline Marsh, Treasurer of Orient Township. The effect of this change would be to only refer to the department's financial numbers in the City's footnotes and because Orient Township is audited every other year, then the Fire Department would only be required to be audited every other year.

We wish to thank the council for the opportunity to be of service. If we can be of further service in implementing any of the above recommendations, we would be glad to work with the staff and administration. If you have any questions on the above or any other matters, please contact us.

Very truly yours,

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*